

# SUMITOMO CHEMICAL

## CSR REPORT 2014

Sustainable  
Chemistry



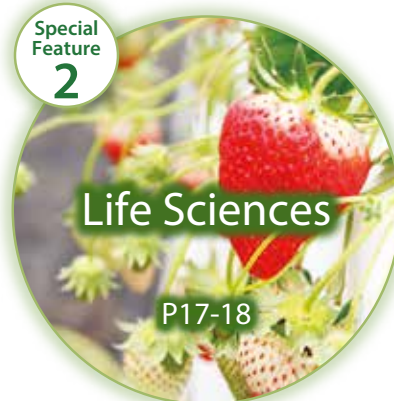
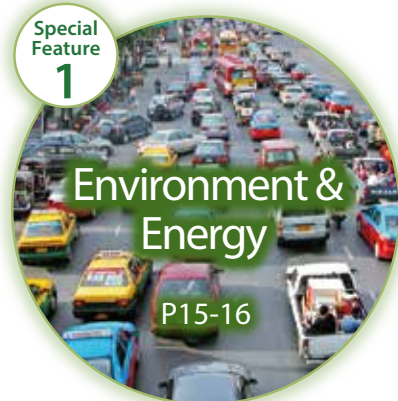


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### Basic Chemicals Sector

Providing a wide range of products, from functional materials to basic chemical materials that are indispensable to industry and daily life.

The Basic Chemicals Sector contributes to people's lives by providing a wide spectrum of products, including a range of industrial chemicals, synthetic textile fibers, methyl methacrylate (MMA) monomer and polymer, rubber chemicals, and aluminum. We are committed to providing a stable supply of a line of products that are used as the basic materials for a variety of industries, while developing highly functional and high-quality products.



### Petrochemicals & Plastics Sector

Providing a wide spectrum of products that are helpful in a variety of applications, such as reducing the weight of automobiles and improving the functionality of food wrapping film.

The Petrochemicals & Plastics Sector provides a wide spectrum of petrochemical products, including synthetic resins typified by polyethylene and polypropylene, synthetic rubber, organic chemicals such as propylene oxide, and elastomers and other high-performance resins that meet the diversified needs of users.

In addition, the sector also focuses on the development of cutting-edge resin processing technologies for foamed, extruded, and molded plastics.

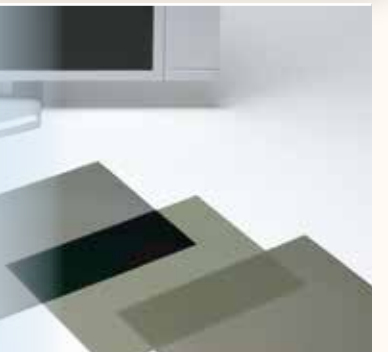


### IT-related Chemicals Sector

Responding to an IT society that is becoming increasingly more sophisticated with cutting-edge technologies.

The IT-related Chemicals Sector supplies a wide range of products that support information and communications technology (ICT)-related industries, including optically functional films and color resists for LCDs, photoresists and high-purity chemicals for use in semiconductor manufacturing, super engineering plastics used in electronic parts and electric cars, and lithium-ion rechargeable battery materials.

We promptly deliver highly functional and high value-added products in response to customers' needs, while striving to develop next-generation technologies and materials.



### Health & Crop Sciences Sector

Contributing to the stable supply of more abundant, sustainable food as well as to people's health.

This sector is engaged in the manufacture and sale of crop protection chemicals, fertilizers, feed additives, household and public hygiene insecticides, and active pharmaceutical ingredients and intermediates. By providing these products, we aim to contribute to a stable supply of crops, help increase food production in response to an increase in the world population, prevent the spread of infectious diseases, and ensure hygienic and healthy lives.



### Pharmaceuticals Sector

Supporting people's health and bettering their lives on a daily basis.

Sumitomo Chemical started its pharmaceuticals business as the first Japanese company to manufacture synthetic pharmaceuticals based on its advanced organic synthesis technology. At present, the Company is developing the sector through Sumitomo Dainippon Pharma Co., Ltd., engaged in the ethical pharmaceuticals business, and Nihon Medi-Physics Co., Ltd., engaged in the diagnostic pharmaceuticals business.



# The Sumitomo Chemical Group Spreading Its Wings Across the World

At present, Sumitomo Chemical is conducting business globally with more than 100 Group companies in five fields: basic chemicals, petrochemicals & plastics, IT-related chemicals, health & crop sciences, and pharmaceuticals. To continue to receive the approval of its wide range of stakeholders, Sumitomo Chemical will use its advanced technologies to create new products that reflect the changing times, contribute to improving people's lives, and help the international community resolve global problems involving resources, energy, food, and the environment.

## Business Locations ◎Overseas Network

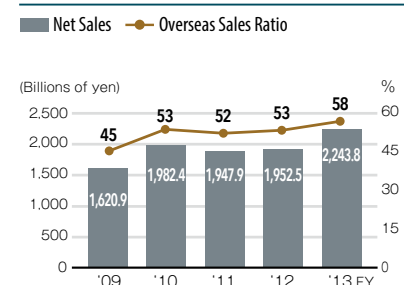


## ◎Domestic Network

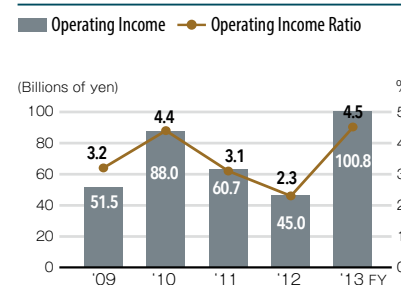


## Sumitomo Chemical Consolidated Data

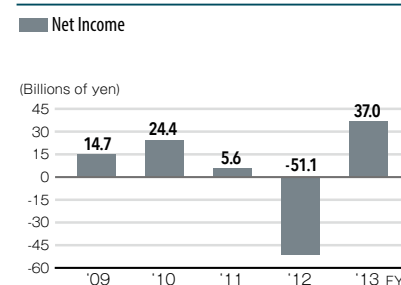
### Net Sales and Overseas Sales Ratio



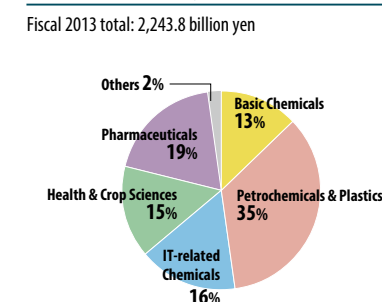
### Operating Income and Operating Income Ratio



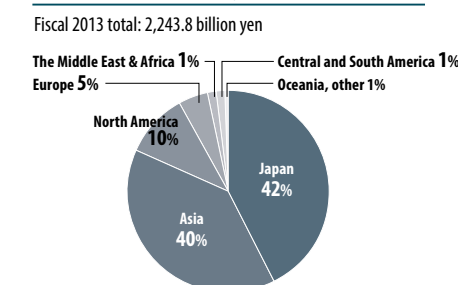
### Net Income



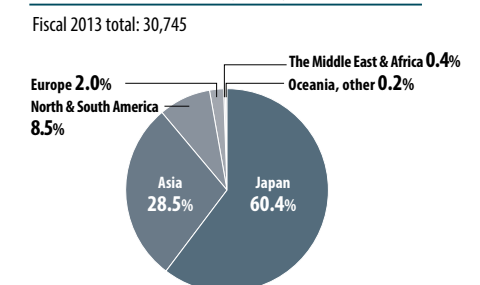
### Net Sales by Business Sector



### Net Sales by Region



### Number of Employees by Region





Osamu Ishitobi,  
Chairman & CEO

石井 修

Masakazu Tokura,  
President & COO

十倉 雅和

## Contributing to the Sustainable Development of Society through Our Business

### Initiatives under Our Corporate Business Plan

Sumitomo Chemical considers contributing to the sustainable development of society through business activities the essence of corporate social responsibility (CSR). In our corporate vision, set out in the Corporate Business Plan we launched in 2013, we have made a commitment to helping solve global challenges, such as those related to energy, the environment, and food, with the power of chemistry. With an eye to realizing this vision, we are striving to develop innovative technologies and new businesses by making full use of a broad range of technologies and expertise that we have accumulated through years of operation as a diversified chemical company.

In the field of energy and the environment, we are stepping up efforts to commercialize polymer organic light emitting diode lighting, which offers high energy efficiency and can produce light of a wide variety of colors and tones. In addition, we started the operation of our new manufac-

turing plant for solution styrene-butadiene rubber (S-SBR) in Singapore in March 2014. Demand for S-SBR, a material used for high-performance, fuel-efficient tires, is growing rapidly as more stringent regulations are introduced worldwide on automobile fuel consumption.

In the food-related area, Sumitomo Chemical is working on the development of crop stress management technologies, which help increase yields by providing crops with resistance to the environmental stresses caused by climate change, such as high and low temperatures, droughts and salt damage.

### Promoting Responsible Care

We are convinced that as we endeavor to contribute to the sustainable development of society through our business, it is essential that all of us at the Sumitomo Chemical Group work together to promote Responsible Care—a commitment to ensuring safety, environmental protection, and

high quality throughout the entire life cycles of our products, from research and development, production, distribution, and sale, to use and disposal. Under our Corporate Business Plan, we have defined occupational safety and health, industrial safety and disaster prevention, environmental protection and climate change measures, chemical safety, and product responsibility as focal areas, in each of which we are now implementing various Responsible Care initiatives.

More specifically, as an effort to ensure safe and stable operation—an absolute prerequisite for sustainable business and one of our priority management issues—we are taking measures for enhancing our culture of safety and strengthening our safety assurance capabilities, while also working to improve our disaster prevention systems in preparation for large-scale earthquakes and tsunamis. At the same time, we are working with Group companies in Japan and abroad to have the Sumitomo Chemical RC operational standards, which stipulate our Responsible Care policies and measures, applied more vigorously across the Group, with the aim of bringing our overall Responsible Care activities to higher levels. Moreover, in order to contribute to the mitigation of global warming, we are striving to reduce CO<sub>2</sub> emissions by further enhancing energy efficiency across our supply chain, from manufacturing to distribution.

### Social Contribution Activities

As a part of our CSR activities, we at the Sumitomo Chemical Group are engaged in a variety of social contribution activities in Japan and overseas.

Malaria has been a major impediment to the efforts of developing countries to overcome poverty. Sumitomo Chemical has been providing a substantial contribution to the control of the disease by supplying Olyset™ Net, an insecticidal mosquito net that it developed in-house to protect people from malaria-carrying mosquitoes, to Africa as well as Asia. We have also established our Olyset™ Net production and R&D bases in Africa, thereby helping create local jobs while invigorating the regional economy. In addition, we believe that in order to eliminate poverty and achieve sustainable economic development, Africa needs to build a better educational environment for children, who will make its future, and with this conviction, we are working with NPOs and NGOs on programs to construct elementary and junior high school buildings and related facilities, by donating a portion of our revenues from the Olyset™ Net business. Sixteen projects have been completed in 10 countries in the region, with two projects underway, one in Tanzania and the other in Senegal.

The “Sumitomo Chemical Forest” project is another example of our social contribution activity and an effort towards protecting biodiversity and mitigating global warming. In this initiative, launched in 2008 by partnering with NPOs and NGOs, our Group employees plant mangrove trees in the southern regions of Thailand. To date, approximately 430,000 mangrove trees have been planted across an area of 145 hectares.

In Dalian, Liaoning Province, and several other cities in China, we are running a project to ensure food safety by developing and promoting the use of safe agricultural

cultivation techniques and effective food safety inspection and analysis methods based on the Group’s agriculture-related materials and technologies.

Meanwhile, the Sumitomo Chemical Group engages in efforts to help the restoration of areas struck by large-scale natural disasters in Japan and overseas. For example, after the Great East Japan Earthquake of 2011, we have been conducting a project to hold fairs to sell agricultural produce, seafood, and processed food made in the Tohoku region affected by the disaster. We have also organized “science experiment workshops,” educational events for children living in disaster-stricken areas to learn about the wonder and joy of science. Our disaster-relief support is extended to areas outside Japan, as well. In 2013 we made financial contributions and donated Olyset™ Nets to quake-stricken Sichuan Province of China, the Philippines in the wake of a typhoon, and India after floods.

### Promoting Diversity

Promoting diversity in the workplace is an important part of corporate social responsibility. We are striving to create a working environment in which employees with diverse backgrounds can work together with a sense of joy and purpose and achieve the full potential of their abilities, irrespective of their gender, nationality, or age. As an initiative towards this end, Sumitomo Chemical endorsed the “Women’s Empowerment Principles” in 2013. The principles were formulated through collaboration between the United Nations Global Compact—a United Nations initiative to encourage businesses to engage in the effort to build a global sustainable development framework—and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), and they offer guidance to companies on how to secure gender equality and empower women in the workplace. Going forward, we at the Sumitomo Chemical Group will continue to support these endeavors of the international community while also stepping up efforts to promote diversity in our workplace.

### Toward the Next Century

In 2015, Sumitomo Chemical celebrates the 100th anniversary of the commencement of its operations. The Company traces its origins back to 1913, when it started the manufacturing of fertilizers using harmful gas emissions from smelting operations at the Besshi Copper Mine in Niihama City of Ehime, Japan. Founded to help overcome environmental problems and increase agricultural production, Sumitomo Chemical has in its DNA a strong commitment to solving challenges facing society and contributing to the development of society through business. Over our next century, we will carry forward and put into action this business philosophy upheld since the Company’s inception. And we will strive to achieve sustained growth as a diversified global chemical company by contributing to the betterment of all our stakeholders and local communities.

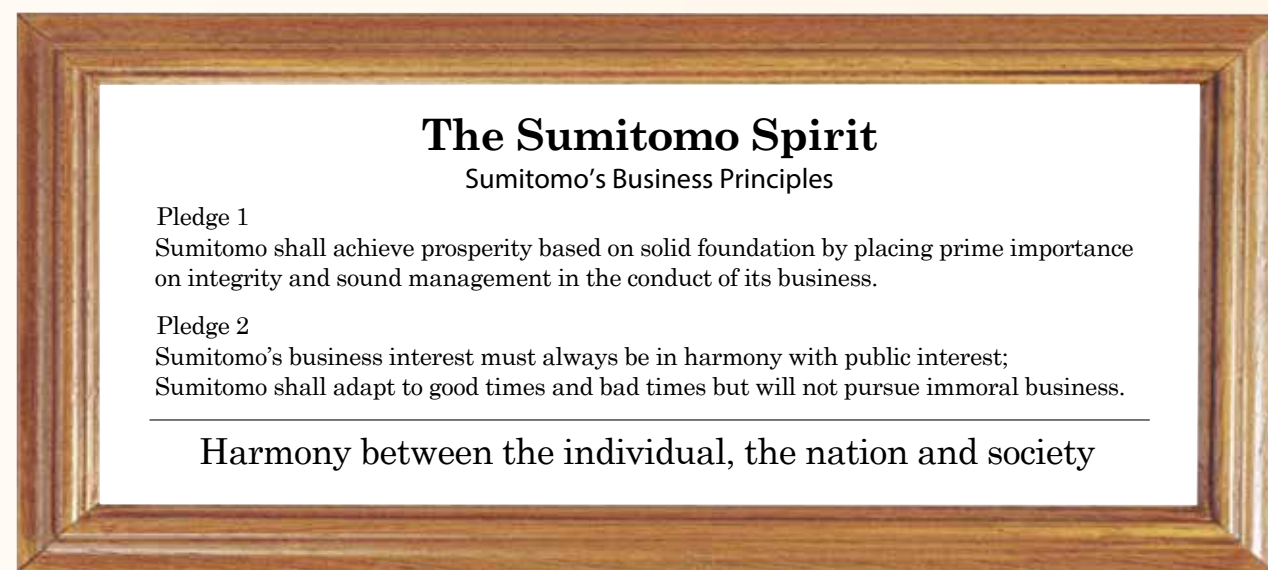
We would appreciate your continued support and cooperation.



# Sumitomo Chemical's Corporate Philosophy

Sumitomo Chemical's corporate philosophy is based on the Sumitomo Spirit, which have been upheld over generations for 400 years since the start of business by the House of Sumitomo in the 17th century. Specifically we possess a Business Philosophy, which outlines the fundamental ethos, missions, and values of the Company as well as our Corporate Slogan and Statement, which are intended to help instill "pride and commitment" among employees. Moreover, we use the Sumitomo Chemical Charter for Business Conduct as the basis for the Company's compliance system.

## Fundamental Concepts that have been upheld from the founding of Sumitomo to this day



Sumitomo's Business Principles are based on the guiding principles set in Monjuin Shiigaki, a document written by Masatomo Sumitomo, the founding father of the House of Sumitomo, that urged family members to conduct business with honesty, prudence, and certainty. These Principles (established in 1891) communicate the importance of maintaining the trust of business partners and of society, and calls for refraining from the pursuit of easy gains under the Sumitomo Spirit.

While the essence has not been formally codified, Sumitomo also places importance on "harmony between the individual, the nation, and society." Based on the idea that Sumitomo must seek to benefit not only its own business but also both the nation and society, Sumitomo Chemical and other Sumitomo Group companies have long been committed to maintaining harmony between their own interests and those of the public.

## Fundamental business principles, missions, and values which Sumitomo Chemical formulated based on Sumitomo's Business principles

### Sumitomo Chemical's Business Philosophy

1. We commit ourselves to creating new value by building on innovation.
2. We work to contribute to society through our business activities.
3. We develop a vibrant corporate culture and continue to be a company that society can trust.

## Common values, "pride" and "commitment" to share as employees

### Corporate Statement

Sumitomo Chemical started business in 1913 as a producer of fertilizers from sulfur dioxide gas emitted by copper smelters. This business, which solved the environmental problem of air pollution while meeting the social demand for more agricultural production, embodied the business philosophy of the Sumitomo family handed down from the 17th century.

"Our business must benefit society, not just our interests." Throughout our history of almost a century, we at Sumitomo Chemical have lived by this credo. We have worked to build better lives by developing various businesses that meet people's evolving needs. At the same time, we have continuously delivered technological innovation while paying special attention to product quality, safety, and the environment.

Looking to the future, we will create new value beyond the boundaries of chemistry by combining a variety of ideas, views, and technologies. We will also continue to take up the challenges facing the globe, from meeting basic needs, to protecting the environment, to addressing the issues of adequate supplies of food, energy, and other resources.

In this endeavor, each of us at Sumitomo Chemical will work together to enhance our capabilities, explore new possibilities every day, and overcome the challenges lying ahead with enthusiasm and a strong sense of mission.

Sumitomo Chemical will seek to continue to build trust and bring joy to people across the world through constant innovation.

### Corporate Slogan

Creative Hybrid Chemistry  
For a Better Tomorrow.

Basic guiding principles to abide by in performing our business activities,  
Created in the belief that it is our social responsibility to  
conduct business to the highest ethical standards and act on our own responsibility

### Sumitomo Chemical Charter for Business Conduct

1. We will respect Sumitomo's business philosophy and act as highly esteemed good citizens.
2. We will observe laws and regulations, both at home and abroad, and will carry out activities in accordance with our corporate rules.
3. We will develop and supply useful and safe products and technologies that will contribute significantly to the progress of society.
4. We will engage in voluntary and active initiatives to achieve zero-accident and zero-injury operations and preserve the global environment.
5. We will conduct business transactions based on fair and free competition.
6. We will endeavor to make our workplaces sound and energetic.
7. Every one of us will strive to become a professional and achieve advanced skills and expertise in our field of responsibility.
8. We will actively communicate with our various stakeholders, including shareholders, customers, and local communities.
9. As a corporate member of an international society, we will respect the culture and customs of every region of the world and contribute to the development of those regions.
10. We will strive for the continued development of our Company through business activities conducted in accordance with the guiding principles described herein.

# Sumitomo Chemical's Operations and CSR

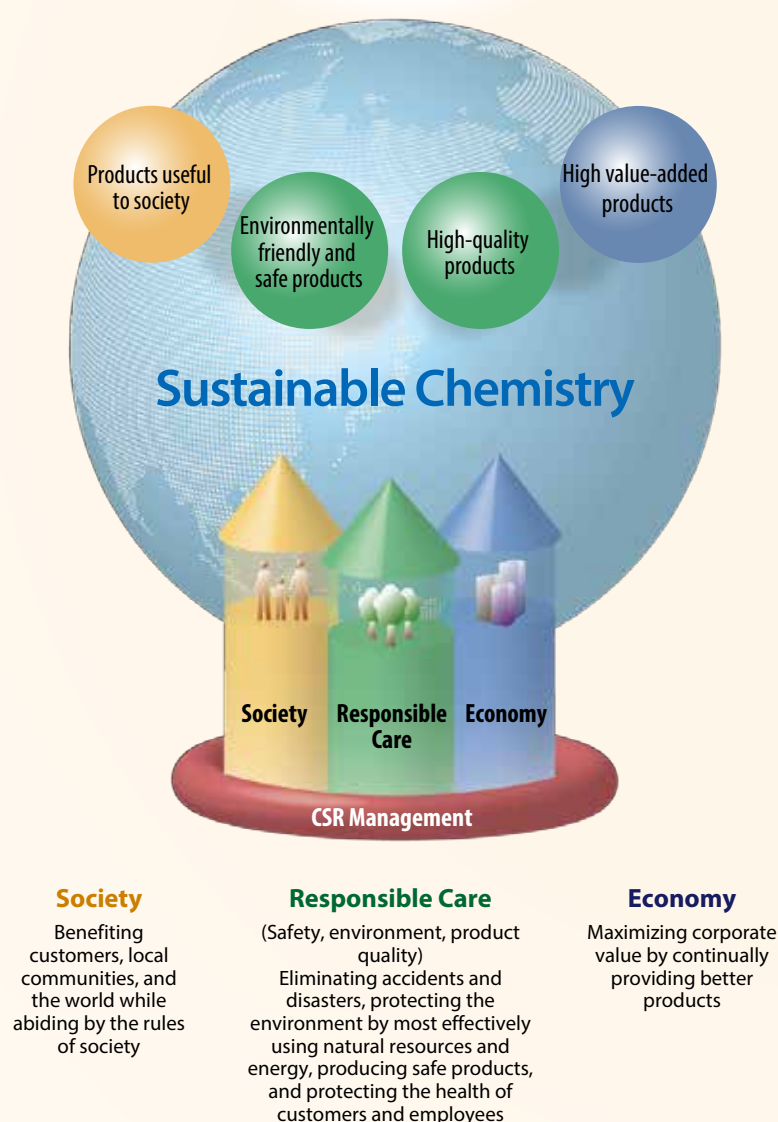
## Sumitomo Chemical's Long-Term Goal

### Basic CSR Policy

By continuously creating and providing useful new technologies and products that have never before existed, Sumitomo Chemical will build corporate value while contributing to both the solution of problems facing our environment and society and the enrichment of people's lives.

In order to accomplish this, the Company will work to achieve a balance of profitable business operations, the preservation of the environment, safety, health, product quality and social activity. We will also pursue and promote our CSR activities with consideration for the interests of all our stakeholders, including our stockholders, employees, business partners, and the local residents of all regions in which we conduct business. Through our endeavors in these areas, we hope to play a significant role in building a sustainable society, while continuing to grow in order to realize our goal of becoming a truly global chemical company in the 21st century.

Contribute to increased affluence and the solving of global challenges facing humanity, including issues related to food, energy, and the environment, while achieving sustainable growth together with society as a diversified global chemical company



*Sustainable Chemistry  
as the Mission of a Chemical Company*

## Fiscal 2013 – 2015 Corporate Business Plan

Sumitomo Chemical celebrates its 100th anniversary in 2015. Carrying forward the goal of achieving sustained growth over the next century, and under the slogan "Change and Innovation," the Company drafted a medium-term corporate business plan covering the three-year period from fiscal 2013 to 2015. Sumitomo Chemical is carrying out the plan with a view to strengthening the foundations of its business. The plan aims for Sumitomo Chemical as a diversified global

chemical company to achieve sustainable growth together with society. The execution of the plan allows not only the building of an operational structure more resistant to changes in the external environment, but also contributions to increased affluence and the resolution of global challenges facing humanity, including issues related to food, energy, resources, and the environment, through the development of next-generation businesses.

### Corporate Vision

- 1 Create new value based on technologies accumulated over the years
- 2 Through the power of chemistry, help solve global challenges (e.g. problems related to energy, the environment and food)
- 3 Develop a corporate culture full of "can-do" spirit and always be a company that society can trust

### Five Priority Management Issues

- Enhance financial strength
- Restructure businesses
- Develop next-generation businesses
- Promote globally integrated management
- Ensure full and strict compliance, and maintain safe and stable operations

## Change and Innovation — for the next hundredth anniversary —

### Change & Innovation Business Structure

- ✓ Downsize/exit underperforming businesses
- ✓ Improve the business portfolio  
→ Build a business structure that is resilient to changes in the external environment

### Change & Innovation Business Development

- ✓ Develop next-generation businesses
- ✓ Accelerate the development of printed electronics
- ✓ Develop new businesses in the area of life sciences

### Change & Innovation Corporate Culture

- ✓ Demonstrate a "can-do" spirit
- ✓ See what's happening on the ground and be proactive and pragmatic
- ✓ Promote diversity





**Shu Hattori**  
Functional Materials Department  
Inorganic Materials Division  
Basic Chemicals Sector  
Sumitomo Chemical

**Erina Tashiro**  
Business Planning &  
Administration Department  
Crop Protection Division  
Health & Crop Sciences Sector  
Sumitomo Chemical

**Naoki Morimura**  
Technical Department  
Chiba Works  
Petrochemicals & Plastics Sector  
Sumitomo Chemical

**Sachiko Kitamoto**  
Environmental Health Science  
Laboratory  
Sumitomo Chemical

**Ryu Takeko**  
IT-related Chemicals Research  
Laboratory  
IT-related Chemicals Sector  
Sumitomo Chemical

**Kanako Fukuda**  
CSR Office General Manager  
Sumitomo Chemical

## What kind of company should Sumitomo Chemical strive to become?

Energy and food issues, water resource depletion, conflict and poverty are just a few of the problems faced by the world. What can a diversified chemical company do to solve these problems and create better lives for people? Employees from various divisions gathered to discuss what kind of company Sumitomo Chemical should strive to be in the future, within a social context 100 years from now.

### *What issues need to be solved to bring about a sustainable society in the future?*

**Sonoda:** Today, I would like to open with a discussion about the future 100 years from now. I would like our discussion to center on the technologies and solutions that you think would be beneficial in creating a sustainable and abundant society in the future. With all the social and environmental problems today, which problems do you think about the most?



#### Facilitator

#### Ayako Sonoda

President, Cre-en Inc.  
Secretary-General of Sustainability Forum Japan

Ayako Sonoda founded the women-focused marketing company Cre-en Inc. in Hyogo Prefecture in 1988. Around 1995, she launched an environmental and CSR consultation business. Cre-en currently offers CSR consulting services and CSR report planning and production support for approximately 450 companies. Sonoda also serves as secretary-general of Sustainability Forum Japan, director of the Japan Sustainable Investment Forum, and a member of the Challenge 25 Campaign Promotion Committee at the Ministry of the Environment.

**Tashiro:** In Miyazaki Prefecture, where I was born and raised, the population has aged, more farmland is being abandoned, and there are not enough people willing to take over family farms. If this continues, I worry that agricultural expertise will completely vanish. Before it is too late, we must pass on this expertise and these resources to the next generation. In the Crop Protection Division, we support the operations of farmers in Japan, and would like to help solve problems related to food supply and the environment in the future.



**Kitamoto:** My job is to ensure the safety of chemical products, so I am concerned about environmental pollution caused by chemical substances. Some developing countries have begun to put in place environmental regulations, but other countries

have continued to pollute the environment, causing problems on an international scale. I feel that these problems must be addressed as soon as possible. From the perspective of people's health, I think chemistry can make a contribution through research into regenerative medicine and health, the suppression of infectious diseases such as malaria, and preventative medicine, including the early detection of illness.



**Hattori:** I am concerned that there will be fewer habitable places in the future due to global warming and food problems. Poverty is a huge problem, and I am worried that people will fight over resources and places to live.

**Takeko:** I think the biggest problem is population growth.

As the population of the world grows, it creates problems related to energy, food and water. If all the world's people lived like the Japanese do today, we would need two or three earths to accommodate everyone. We are borrowing resources from future generations to sustain our lifestyles today. As a parent, I feel our current way of living is not the best for our children's futures.

**Fukuda:** While our lifestyles are made possible by borrowing resources from the future, there has been a functional division of responsibilities in society, making it more difficult to see how our daily lives take advantage of these resources. Take agriculture for example. Producers are farther away from consumers, and consumers tend to forget that it is only because of farmers and logistics networks that they can enjoy access to agricultural products. I am interested in how we can create a framework that brings this reality closer to consumers' lifestyles.

**Morimura:** When thinking in the context of the whole world, I cannot help but think that the isolated efforts of a single company or a single individual are insignificant. For example, Sumitomo Chemical aggressively works to reduce CO<sub>2</sub> emissions, but Sumitomo Chemical's emissions of CO<sub>2</sub> every year are only a miniscule portion of the world total. I think this problem can only be solved through a global framework.

**Fukuda:** Trying to tackle these problems head on would make me feel a bit helpless about the situation, but over a 100-year timeframe, I think we can do something about these problems. Today, we are doing things that people 100 years ago would never have imagined. A single company or a



single country cannot do much on its own to help the world support a population of 8 or 9 billion people. In 100 years, the world must cooperate on solving these problems, and I hope that we can work to create a vision of the future where everyone can live in harmony.

### *What can a diversified chemical company do to help?*

**Sonoda:** With so many problems, we should think about how the power of chemistry can help solve them. One hundred years from now, Sumitomo Chemical will probably be in a better position to help find solutions to these problems. What are your thoughts on this?



**Takeko:** On the topic of energy, I think we need to increase sustainable sources of energy. There are many things a diversified chemical company can do to promote the transition to renewable energy sources such as solar, wind, geothermal and hydro power. To help solve energy problems, what we can do in the display field where I work is to make display devices more energy efficient with high-performance polarizers.

**Hattori:** I am in charge of the high-purity alumina field, where Sumitomo Chemical is a leading supplier known throughout the world. One of the two most common applications for high-purity alumina is as a base material for LED lighting. This technology helps alleviate the burden on the global environment by decreasing electricity consumption. In addition, because LED lighting can replace fluorescent bulbs, which contain mercury, it will also cut back on the use of mercury. High-purity alumina is also used as a material in lithium-ion secondary batteries, which help create better lives for people by improving the safety of the batteries while increasing the distance electric vehicles can travel. With stable product



## What kind of company should Sumitomo Chemical strive to become?

supply as our first priority, we also have a responsibility to support an expansion in product applications.



**Kitamoto:** Safety research is a multivariate discipline that crosses a broad spectrum of fields. Sumitomo Chemical is one of only a few chemical companies that have their own specialists in various fields. These experts are doing pioneering research into safety around the world and applying their findings in product development. In the future, we aim for products made by Sumitomo Chemical to be renown across the globe as products preferred by consumers for their safety and contribution to a sustainable society.

**Tashiro:** In our agricultural businesses, we aim to be a total solutions provider by offering everything from products (seeds, agrochemicals, fertilizers, and other materials) to related technologies and expertise in crop sales and farm management with the goal of providing comprehensive support for the management of agriculture. At Sumika Farms, which are operating in five areas in Japan, we are working to verify fertilization and pest control systems as well as revenues from production, and the results of this analysis are reflected in the company's agricultural management systems. By using ICT tools, we would like to build a framework where accumulated know-how is effectively passed onto farmers in nearby areas. We also aim to help



revitalize agricultural areas by effectively utilizing abandoned farmland and creating jobs in these regions, which should lead to a more stable food supply.

**Sonoda:** The spirit behind CSR at Sumitomo Chemical is to contribute to the development of society through your business activities, and this spirit lives on. The efforts that everyone has talked about, such as new technologies in the fields of the environment and energy and ICT, research into safety, and businesses that support agricultural management, are all targeted at solving problems to bring about a sustainable society in the future. These efforts should also enable us to live more prosperous lives with greater safety and security.

### *What kind of company should Sumitomo Chemical strive to become?*

**Sonoda:** In order to create an abundant society 100 years from now, what kind of company should Sumitomo Chemical strive to be in the future? On a personal level, what kind of work do you do every day toward achieving this goal?

**Takeko:** I like Sumitomo Chemical's corporate philosophy, as I believe it is a common language shared by everyone that points our work in the same direction. Embedding this corporate philosophy in our work, including among our

overseas employees, as well, should keep our bearings on the right course into the future. If global business can be developed without straying from this corporate philosophy, I believe Sumitomo Chemical can evolve to become one of the world's leading companies 100 years from now.

**Kitamoto:** On thinking about what I should do now for the future, I feel like it is best to find solutions to problems that crop up every day. My job entails ensuring the safety of chemical products that contribute to society, so safety is always on my mind as I work throughout the day. I focus on making steady progress every day rather than attempting to

make unrealistic leaps and bounds. At the same time, I keep on the lookout for new ideas as I work, hoping that they will lead to change and innovation that serves to benefit society.



**Morimura:** I am on the same page as Ms. Kitamoto. Since I work in the plant, my mission is to maintain safe and stable

operation in order to deliver the right products to our customers. Sumitomo Chemical manufactures a large number of products that benefit society, and by continuing to supply these products, I believe we are able to contribute to society. We also strive to offer unique products to benefit society, and if we can introduce such products even a little faster, that is what we should do. As the Sumitomo Spirit says, we should not focus solely on short-term profits, but perform the right work that benefits society over the long term.

**Tashiro:** Surmounting environmental problems at the Besshi Copper Mine and contributing to the advancement of agriculture were the origin of the foundation of Sumitomo Chemical, and I believe that our business today that focuses on contributing to farm management is an example of staying true to these beginnings. While it is challenging to launch a new business, Sumitomo Chemical is the kind of company that lets employees venture in new directions. I hope that more of my coworkers take on new challenges.

**Hattori:** It has only been a few years since I joined the Company, but every day I can feel the corporate culture of conscientious work that takes into account other people's feelings and opinions, a respectful way of working, whether you are dealing with a coworker or a customer. Diversity means accepting people of various backgrounds with humil-

ity. In our work every day, we are rooted to the culture of Sumitomo Chemical. Valuing this culture, we work to find solutions to the problems faced by society. I believe Sumitomo Chemical will always be an essential part of society.

**Takeko:** In our daily work, even if you think something is absolutely impossible, these kinds of challenges can be surmounted as ideas percolate to the surface with the help of coworkers. I think it is important to take on such challenges without fear. While staying within your comfort zone is easy, sometimes it is necessary to step out of this zone. The people around you may be surprised, but you may inspire others to step out of their comfort zone. These types of people are drawn to each other, and eventually will cross paths. I believe this attitude is what is needed for the future hybrid chemistry and innovation.

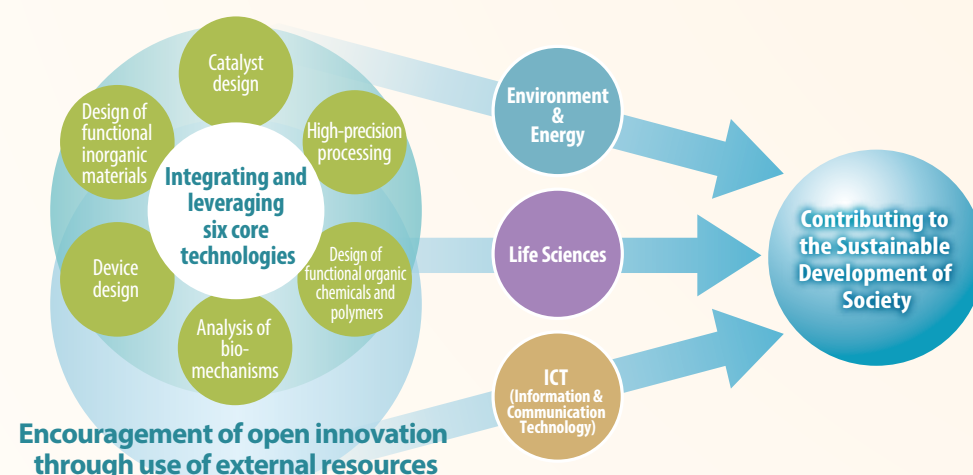
**Fukuda:** Sumitomo Chemical has an excellent assortment of technologies, products and people. Brought together and refined on a daily basis, these qualities lead to advances that open up new potential. Our business interest must always be in harmony with the public interest—that is the Sumitomo Spirit. These words mean that Sumitomo must seek to benefit not only its own business, but also both the nation and society. Having a commitment to achieving this philosophy is a value that we all share. By conveying and sharing these values with all of our stakeholders, we aim to continue leveraging our strengths as a diversified chemical company well into the future.



**Sonoda:** Society has great expectations for Sumitomo Chemical. I hope Sumitomo Chemical creates innovations that surprise the world through hybrid chemistry over the next 100 years.



### Promoting Creative Hybrid Chemistry



Focusing our efforts on integrating and leveraging the six core technologies in which the Company excels, we are encouraging open innovation through the use of external resources, and creating products and technologies with higher added value. Sumitomo Chemical aims to achieve sustained development along with society in the three key areas of the environment and energy, life sciences, and information and communication technology (ICT).



# Addressing the Issue of Global Climate Change

## Development of Processes and Products that Reduce Environmental Impact

*The growing consumption of resources and energy and its impact on the global environment has become a major issue faced by the world community. Sumitomo Chemical is developing Green Processes, which are manufacturing processes that limit environmental impact, and Clean Products, which are products with improved performance in terms of environmental friendliness, safety, and quality.*

### Green Processes

#### Developing simple, efficient processes that conserve resources and energy usage

Sumitomo Chemical aims to recycle the chlorine used in the production of some chemical products. A process called **hydrochloric acid oxidation converts by-produced hydrogen chloride**, into chlorine using catalysts and oxygen. This process achieves an extremely high chlorine conversion rate of 99% and uses far less electricity than conventional methods of producing chlorine through electrolysis.

In 2014, this process was internationally recognized as a way to reduce CO<sub>2</sub> emissions and was newly registered as a method of calculating CO<sub>2</sub> emission reduction under the United Nations Framework Convention on Climate Change.

In addition, CO<sub>2</sub> separation technologies extract unneeded CO<sub>2</sub> from target gases, which is essential in the production of hydrogen and the refinement of natural gas. Recognizing that conventional methods require large amounts of thermal energy and huge facilities, Sumitomo Chemical has developed a process that uses **CO<sub>2</sub> separation membranes**. It is a simple method of removing CO<sub>2</sub> by letting gas flow through the process, helping reduce energy used in separation and scaling down the size of facilities. In 2012, Sumitomo Chemical established a joint venture to advance the CO<sub>2</sub> separation business, and has been accelerating efforts to develop full-fledged operations.



Hydrochloric acid oxidation process equipment



CO<sub>2</sub> separation membrane

#### Environmentally friendly production processes that do not produce by-products

The production of caprolactam, which is used to make nylon for garments, entails the use of oleum as an auxiliary feedstock, so large amounts of ammonium sulfate are generated as a by-product. Although chemical manufacturers around the world confronted this problem throughout the years, in 2003, Sumitomo Chemical established the world's first **vapor-phase caprolactam process** that does not produce ammonium sulfate as a by-product. This is because it does not use oleum thanks to the development of a proprietary catalyst and new processes. The removal of ammonium sulfate prolongs the service life of plants while reducing the amount of feedstock required in production 25 to 40%.

Sumitomo Chemical manufactures propylene oxide (PO), which is used mainly as a raw material for polyurethanes, through its proprietary **PO-only process**. This process does not generate unneeded by-products owing to the reuse of cumene, a major chemical compound. This process also contributes to the effective use of heat generated in chemical reactions, and the reduction of wastewater emission.



Vapor-phase caprolactam process equipment



PO-only process equipment

### Clean Products

#### Materials that improve fuel economy of automobiles

**Solution styrene-butadiene rubber (S-SBR)** has been in the spotlight these past few years as a tire material that contributes to better fuel economy in automobiles. S-SBR is used in the treads of tires that come in contact with the pavement, reducing the roll resistance of tires (resistance in the opposite direction of travel) to improve fuel economy by 10% or more compared with conventional products. For the sake of safety, sufficient tire grip is also required so the vehicle stops when the brakes are applied. S-SBR strikes an optimal balance between these two contradictory requirements. With demand for tires that improve fuel economy likely to expand around the world, Sumitomo Chemical bolstered its supply structure by building a new plant in March 2014 in Singapore for producing S-SBR.

Sumitomo Chemical also produces and sells **diesel particulate filters (DPFs) for diesel engines**. Our DPFs, made from aluminum titanate, feature excellent heat resistance and a spe-



New S-SBR plant in Singapore



Diesel particulate filter (DPF) for diesel engines

cial structure that continuously captures a high volume of particulate. In Europe, Sumitomo Chemical is responding to strengthening market needs for DPFs, launching a production plant in Poland in 2013 ahead of the requirement that DPFs be installed on diesel engines starting in 2014.

#### Creating the potential for next-generation solar power generation

Sumitomo Chemical continues to develop **organic photovoltaics (OPV)** in tandem with the penetration of solar power generation. Mainstream silicon-based solar cells are heavy, restricting where they can be installed, and require a large amount of energy to manufacture. OPV can be made using simple printing and coating production processes, and are light, bendable and translucent. OPV are suitable for a wide variety of applications for generating electricity, because they can be installed where conventional solar panels cannot be installed. The Company's OPV achieved a world-class conversion efficiency ratio of 10.6% (certified by NREL in the U.S.) in 2012. We are focusing all of our efforts on commercializing them as early as possible.



Organic photovoltaics (OPV)

## The Sumitomo Spirit lives on in S-SBR

Sumitomo Chemical's S-SBR has been praised by customers for its high scores in both fuel economy and tire grip. S-SBR is a classic example of the Sumitomo Spirit—its business interest must always be in harmony with public interest. We take pride in being able to contribute to society through our work. Recently, new issues have taken the forefront in R&D activities to extend the service life of tires, namely roll resistance, tire grip and improved resistance to wear. Sumitomo Chemical will continue to take on these challenges in the creation of automotive products that help conserve energy and resources.

**Noriharu Hitaka**  
General Manager,  
Synthetic Rubber Department  
Advanced Polymers Division



① Vapor-phase caprolactam plant at Ehime Works  
② Diesel particulate filter (DPF) for diesel engines  
③ Tires that use S-SBR



# Responding to Global Food and Health Problems

## Contributing to the Stable Production of Food and Invigoration of Agriculture

*Issues pertaining to food production have become more serious around the world against a backdrop of climate change, population growth and insufficient agricultural productivity. Sumitomo Chemical is leveraging its accumulated experience in the field of agricultural chemicals to tackle these challenges from various angles.*

### Aiming for dramatic improvements in productivity by lessening environmental stress on crops

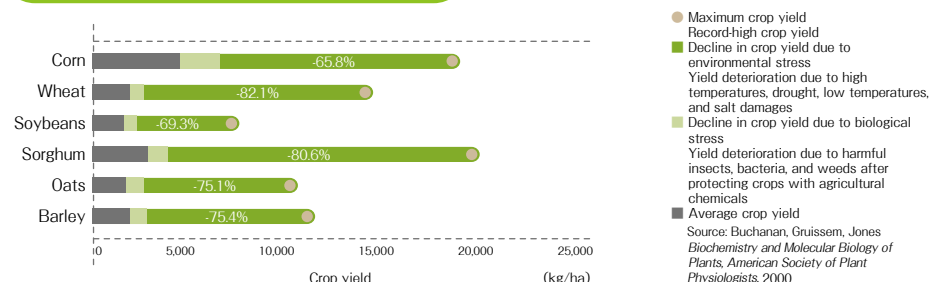
For many years, Sumitomo Chemical has worked on the development of pesticides, fungicides, and herbicides to protect crop growth and promote better harvests. Crops are affected by biological stress, such as harmful insects, bacteria, and weeds, as well as environmental stress, which has gained more attention lately, such as extreme temperatures, drought and salt damages. Recently, environmental stress has been a larger factor in lowering harvests than biological stress. Climate change has been a cause of abnormal weather, making environmental stress an issue of increasing concern.

To mitigate environmental stress on crops, Sumitomo Chemical has been developing a new chemical field called **crop stress management**. Using the power of chemicals to enhance tolerance to environmental stress, we aim to increase harvests as per-area productivity improves considerably. Partnering with universities and companies inside and outside Japan, Sumitomo Chemical has been working to identify effective compounds through research at the laboratory level and successfully confirmed the effectiveness of these compounds in field studies during fiscal 2012 and fiscal 2013. Sumitomo Chemical is stepping up its efforts toward commercialization by advancing further analysis in fiscal 2014.



Testing of agricultural chemicals in a greenhouse

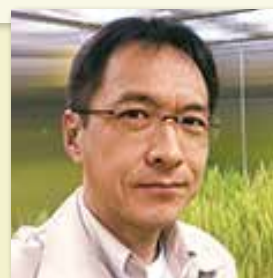
### Crop loss due to environmental stress



## Taking on world problems as a worthwhile cause

We believe taking on world problems such as food shortages through research into possible solutions is a worthwhile cause. There is the difficulty of setting specific targets without anything to compare against because these chemicals are completely new and have not been commercialized yet, even by other companies. The development of agricultural chemicals requires years of research and time in addition to the arduous process of trial and error, but we are driven forward by the promise that this technology may someday benefit agriculture around the world. Our first and foremost goal is to deliver a product to the world as quickly as possible.

**Fujio Mukumoto**  
Discovery Biology Group,  
Health & Crop Sciences  
Research Laboratory



### Sumika Farms revitalizing regional agriculture across Japan

Japan's agricultural industry faces various issues, such as damage from the Great East Japan Earthquake, the impact of the Trans-Pacific Partnership (TPP), and the aging of farmers with no successors to take over the farm. In light of these circumstances, the Sumitomo Chemical Agro Group (Sumitomo Chemical and Group companies involved in agricultural businesses) aims to invigorate Japan's agricultural industry as a total solutions provider. Sumitomo Chemical offers comprehensive support to farmers by providing products including crop protection chemicals, fertilizers, and other agricultural materials, and by offering its in-depth know-how in crop cultivation, marketing and management.

Since 2009, Sumitomo Chemical has established agricultural corporations called **Sumika Farms** throughout Japan. Sumika Farms produce fruits and vegetables in five areas: Nagano, Oita, Yamagata, Mie, and Ibaraki. Sumitomo Chemical also contributes to regional agriculture from the perspectives of hiring and training by creating jobs for locals and providing places for people new to agriculture to learn the ropes.

Through Sumika Farms, we also aim to advance our own cultivation technologies via their hands-on application. Leveraging the Group's agriculture-related products, we aim to establish a new business of producing safe and highly competitive agricultural products.

## Helping People Suffering from Disease

*The Sumitomo Chemical Group, centered on Sumitomo Dainippon Pharma Co., Ltd., conducts research into new drugs with the latest in technology. By developing and bringing to market groundbreaking pharmaceuticals as quickly as possible, we strive to meet the expectations of people suffering from disease, their families, and related medical personnel.*

### Contributing to the betterment of medicine through antipsychotic drugs with few side effects

At the Sumitomo Chemical Group, the psychoneurotic field of medicine is a priority focus of the pharmaceuticals business. In this field, Sumitomo Chemical has concentrated on the clinical development of **lurasidone**, a treatment for schizophrenia. The administration of one dose of lurasidone per day is an effective treatment for schizophrenia with few side effects, such as weight gain and metabolic disorders, common to other medications.

Sales of lurasidone began in 2011 in the United States. Sumitomo Chemical aims to apply for approval from the Ministry of Health, Labor and Welfare to manufacture and sell lurasidone in Japan in fiscal 2015. Sumitomo Chemical hopes to help offer better medical treatments for schizophrenia by providing lurasidone as an effective and safe drug on the world market.

### Developing drugs that target cancer stem cells for reduced risk of reoccurrence

Cancer is the leading cause of death in Japan and inflicts over 32 million people worldwide. The Sumitomo Chemical Group has long been involved in the development of cancer treatments. Sumitomo Dainippon Pharma has been advancing clinical trials of an industry-first **drug that targets cancer stem cells**. Targeting both cancer cells and cancer stem cells, which are difficult to treat with existing radiation therapy and anti-cancer drugs, this drug holds promise as an effective cancer treatment that addresses issues such as drug resistance, recurrence and metastasis.

Currently, we are conducting clinical trials for the treatment of various kinds of solid tumors. By developing drugs that target cancer stem cells, we aim to help patients with unmet medical needs using existing therapies.

① Health & Crop Sciences Research Laboratory  
②③ Sumika Farm Ibaraki  
④ Research at Sumitomo Dainippon Pharma



## Supporting the Advancement of an IT Society

## Addressing Diversifying Needs in Information and Communication

*IT society has been diversifying with the proliferation of information devices such as smartphones and tablets that have made people's lives more convenient. Sumitomo Chemical supports the development of the information electronics industry by providing a wide range of products and services that leverage its cutting-edge technologies.*

### Production of high-performance polarizers, an essential part of LCDs

Sumitomo Chemical develops **polarizers** used in liquid-crystal displays (LCDs) as a product that supports cutting-edge information devices. Polarizers are films that control the condition of light, allowing people to clearly see videos and images on LCD screens.

LCDs are used in a diversifying array of applications, such as PC displays, TVs, and mobile handsets that have become essential aspects of the lifestyles of people around the world. LCD manufacturers aim to differentiate themselves by the display quality of videos and images. Using the latest technologies, Sumitomo Chemical's polarizers excel at being able to perform according to the requirements of LCD manufacturers. Sumitomo Chemical has business bases located in the main LCD-producing countries, such as South Korea, Taiwan, and China in addition to Japan, allowing it to rapidly and precisely reflect the needs of local manufacturers in polarizer development.

We have also focused on improving the transmittance and light utilization efficiency of polarizers in order to help reduce the energy consumption of devices. We have also reduced environmental impact by reassessing production processes, such as by eliminating a pretreatment process that is now unnecessary for some films.

### Next-generation touchscreen panel offers new type of displays for information devices

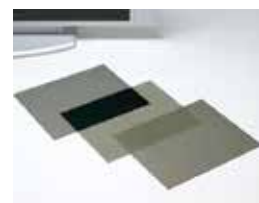
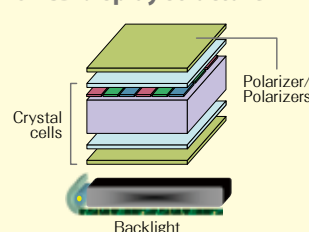
Sumitomo Chemical is engaged in the **touchscreen panel** business against a background of growing demand around the world for smartphones and tablets. Touchscreen panels are a key input device for smartphones and tablets that increase their ease of use.

Sumitomo Chemical began producing next-generation touchscreen panels in 2012 after constructing a plant at Dongwoo Fine-Chem Co., Ltd., its Korean base for the IT-related chemicals business. Instead of LCDs, these touchscreen panels are used with high-brilliance OLEDs, which can beautifully reproduce images on an easily controlled screen with excellent energy conservation performance.

Touchscreen panels allow users to control devices by directly touching the screen, making them easy to use even for people unfamiliar with information devices. Sumitomo Chemical is currently developing touchscreen panels that can bend and expects these bendable panels to be well suited for a broad range of applications once development has finished.

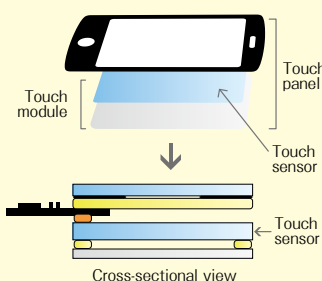
In this way, Sumitomo Chemical supports the advancement of information communications infrastructure with high-performance products that lead the industry.

#### ●LCD display structure



Polarizer/Polarizers

#### ●Touchscreen panel



Inspection of touchscreen panels

### Spurring innovation in displays and lighting with commercialization of polymer organic light emitting diodes (PLED)

Sumitomo Chemical has been concentrating on the development of organic electroluminescence materials, a promising material for next-generation displays and lighting. Organic electroluminescence stands for the phenomenon of the generation of light when voltage is applied to organic materials. Light-emitting materials used for organic electroluminescence are either polymer or small molecule. Sumitomo Chemical is developing soluble polymer types of light-emitting materials that can be brought into solution and printed onto glass and plastic in the production of PLED products. The production of PLED products can be accomplished in only a few processes, contributing to energy conservation in the manufacturing process, lower-cost products, and larger-sized products.

#### ●More advanced displays

PLED displays can be made thinner and lighter than before, and offer more natural-looking expressions of highly reproducible colors. We therefore believe PLED displays would make for excellent commercial monitors at broadcasting stations and medical centers. In 2013, Sumitomo Chemical developed production technologies based on inkjet printer technology to make PLED displays with a resolution of 423 ppi on glass sheets (370mm X 470mm). Sumitomo Chemical aims to improve manufacturing processes while enhancing the performance of PLED materials with the ultimate goal of mass producing PLED displays.

#### ●Defying conventional wisdom in lighting

Sumitomo Chemical has been developing PLED panels as a new lighting technology. PLED lighting has several benefits over LED lighting, such as flat light sources, broader color reproduction, and lower heat generation. Since the production process using inkjet printer technology is simple, like that for PLED displays, PLED lighting can create new product categories for lighting, such as walls and ceilings painted with light-emitting layers that can be turned on, and light, unbreakable and bendable lighting when used in conjunction with plastic films. Turning the conventional wisdom for lighting on its head, PLED lighting has the potential to change the way we light our homes and streets, creating new value for society. Sumitomo Chemical entered the market for ornamental lighting panels in April 2014, and plans to enter the market for general lighting panels during fiscal 2015.



Flexible PLED lighting

Glass is mainly used in light plates currently, but using plastic instead would offer the benefits of being light, shatterproof and flexible, which would afford more freedom in design.

## Opening up new fields with PLED

As a chemicals manufacturer with decades of experience in the development and sale of chemical compounds, Sumitomo Chemical has offered an increasing number of products that can be used with existing final products after a few modifications, such as PLED panels. Sumitomo Chemical started out with little knowledge of how to market lighting panels but must find new customers who will buy its lighting panels. While feeling our way around this new field, our work reflects this hard-earned experience. Keen to open up the new field of PLED, we aim to expand markets for this groundbreaking product that turns the conventional wisdom for lighting and displays on its head.

Koshiro Ochiai  
Manager  
PLED Business Planning Office



① Sumitomo Chemical's PLED lighting on display at the Light + Building 2012 exposition in Germany  
② PLED research and development



## Message from the CSR Officer



**Yoshimasa Takao**

Representative Director  
Executive Vice President

At Sumitomo Chemical, the core of our CSR activities lies in contributing to both the solution of problems facing our environment and society, and the enrichment of people's lives by continuously providing society with useful new technologies and products through our business activities. Our activity policies for fiscal 2014 focus on contributing to the development of a sustainable society through our business activities, with the aim of maximizing our corporate value and fulfilling our corporate social responsibility as a global enterprise. We promote CSR activities while striking a balance among economic efficiency,

the environment, safety, quality assurance, and social activities.

To promote CSR further, the Sumitomo Chemical Group will combine efforts and get employees more involved with the spirit of taking on new challenges, which is in our DNA. In fiscal 2012, we founded the CSR Promotion Committee to advance CSR activities. Starting in fiscal 2013, we are working to deploy CSR activities worldwide across Group companies following the establishment of a global headquarters structure in the four regions of China, Southeast Asia (including India and Oceania), North America and Europe. In the current fiscal year, we aim to fulfill our social responsibilities by making social contributions distinctive to the Sumitomo Chemical Group. We also aim to enhance communications with stakeholders, foster a strong sense of social thoughtfulness in our employees, and help solve social issues through our business activities. Through these initiatives, our goal is to be a globally diversified chemicals company.

### Basic Stance

Sumitomo Chemical established its Basic CSR Policy (see page 9) in November 2004 based on the Sumitomo Spirit and the Sumitomo Chemical Charter for Business Conduct. Under this Policy, specific goals are set for each fiscal year and CSR activities are implemented to achieve them.

### CSR Promotion System

Subsequently, in April 2012, Sumitomo Chemical founded the CSR Promotion Committee. Chaired by the executive officer in charge of CSR and comprised of executive officers from the Company's corporate and business sectors, the CSR Promotion Committee is responsible for further advancing CSR activities. At the CSR Promotion Committee meeting held in March 2014, the results of activities conducted in fiscal 2013 were reported and the policies for fiscal 2014 were set.

The new CSR policies were explained at the CSR Promotion Meeting attended by representatives from each business sector and Works. This meeting is designed to identify specific activity targets based on the policies of each business sector and Works for the promotion of CSR activities. To strengthen ties with overseas Group companies, in September and November 2013, the Global CSR Meeting was held for CSR managers from the regional headquarters established in each overseas region, and the Regional CSR Meeting was held with representatives from the three regions of Japan, Taiwan, and South Korea. These events served as opportunities to introduce, share information, and exchange opinions about CSR activities.

### CSR Promotion System



### Putting in Place Fiscal 2014 Policies for CSR Activities

Each year, Sumitomo Chemical puts in place CSR activity policies based on its overarching Basic CSR Policy. Taking into consideration comprehensive factors from each of the economic, environmental, and social perspectives, Sumitomo Chemical recognizes that CSR activities are a source of competitive advantage. With this in mind, we put in place the following annual CSR activity policies in fiscal 2014 in an effort to maximize our corporate value and to fulfill our corporate social responsibility as a global enterprise.



The CSR Promotion Committee

### Measures Aimed at Raising Awareness of CSR Activities

In order to enhance employee awareness of the Company's CSR-based corporate philosophy, Sumitomo Chemical makes use of a Corporate Philosophy Statement Booklet and DVD in Japanese, English, Chinese, and Korean. These educational materials are used on a host of occasions including employee training sessions and roundtable discussions. Every effort is being made to ensure a uniform understanding of CSR activities throughout the Group.

In fiscal 2013, through social events for employees at the headquarters in Tokyo, Sumitomo Chemical began on a trial basis creating opportunities for employees to reflect on what they learned in the Corporate Philosophy Statement Booklet by learning about the nature of operations in each business sector.

Working to foster a greater interest in CSR activities among employees and promote participation, the Sumitomo Chemical Group continues to encourage various volunteer activities and offers a matching gift program (see page 62) for donations.

### Relations with Stakeholders

Under its Basic CSR Policy, Sumitomo Chemical pursues and promotes CSR activities taking into consideration the interests of all stakeholders. In identifying its major stakeholders, Sumitomo Chemical has considered CSR related issues that require attention while referring to the GRI Guidelines and the Keidanren (Japan Business Federation) Charter of Corporate Behavior.

In addition to fulfilling its responsibilities toward all stakeholders, the Company is committed to the advancement of its CSR activities while fostering communication at every opportunity, including through its business activities, social contributions, and dialogue with communities.

Stakeholders	Sumitomo Chemical's Responsibility	Major Communication Methods
Customers	Sumitomo Chemical is working to supply high-quality products and services that satisfy customers' needs and ensure safety in their use, thereby building long-lasting relations of trust with customers.	<ul style="list-style-type: none"> <li>Engaging in communication through operating activities</li> <li>Providing information through various media including the Company's website</li> <li>Offering customer support through consultation services</li> </ul> <p>▶P.55</p>
Business Partners	Sumitomo Chemical is committed to building comprehensive and mutual relations with business partners based on the Basic Procurement Principles. In addition to ensuring fairness, equity, and transparency in its transactions with business partners, the Company is also encouraging business partners to promote their CSR activities through its responsible procurement activities.	<ul style="list-style-type: none"> <li>Engaging in communication through purchasing activities</li> <li>Monitoring and feedback that draws on the CSR Deployment Guidebook and check sheets</li> <li>Conducting meetings to promote the exchange of opinions, briefing sessions, and study meetings</li> <li>Providing contact points for inquiries</li> </ul> <p>▶P.56</p>
Shareholders and Investors	In order to meet the expectations of shareholders and investors and maximize corporate value, Sumitomo Chemical will make use of its strengths, including its excellent technological development ability, high cost competitiveness, and global business operations, toward sustainable growth while appropriately returning profits and disclosing information to its stakeholders in a fair manner.	<ul style="list-style-type: none"> <li>Conducting results briefings</li> <li>Conducting General Meetings of Shareholders and investor briefing sessions</li> <li>Providing information through the publication of an annual report and through such media as the Company's website</li> <li>Fulfilling social responsibilities by responding to CSR surveys collected from investors</li> </ul>
Employees	Sumitomo Chemical is working to create a workplace environment in which individual employees can make the most of their abilities, giving due consideration to compliance and diversity among employees. Also, the Company and its labor union will maintain a favorable relationship that has been built based on mutual understanding and trust.	<ul style="list-style-type: none"> <li>Conducting central labor-management meetings</li> <li>Providing consultation services</li> <li>Providing counseling</li> <li>Providing training</li> <li>Conducting interviews</li> <li>Publishing an internal magazine</li> </ul> <p>▶P.65~71</p>
Local Communities and Society	In the belief that its business must be based on mutual prosperity with society, Sumitomo Chemical is fostering communications, and building and maintaining good relationships with local communities, as well as conducting activities to meet local needs.	<ul style="list-style-type: none"> <li>Promoting dialog with local residents</li> <li>Promoting volunteer activities</li> <li>Conducting programs in collaboration with NGOs and NPOs</li> <li>Engaging in a variety of activities through economic and industrial organizations</li> </ul> <p>▶P.57~64</p>

### Fiscal 2014 Policies for CSR Activities

Sumitomo Chemical is committed to contributing to the sustainable development of society through its business activities.

• By providing useful, groundbreaking technologies and products, Sumitomo Chemical will help enrich people's lives and contribute to the solution of problems facing society and the global environment.

#### Economic Activities

• We will engage in activities that are designed to improve business performance and strengthen the business foundation, with the goal of maximizing our corporate value and fulfilling our corporate social responsibility as a global enterprise.

#### RC Activities

• Environmental Safety (Including Combating Climate Change) and Chemical Safety

The Sumitomo Chemical Group fulfills its corporate social responsibility based on the Sumitomo Chemical Charter for Business Conduct, Sumitomo Chemical Code of Business Conduct, and the Corporate Policy on Safety, the Environment and Product Quality. Based on the core principle of "Making Safety the First Priority" to gain the trust of society and engage in sustainable business development, the Group proactively advances responsible care activities, such as global environmental conservation, chemical risk management, and communications with society, while ensuring safe operations with zero accidents and zero injuries as the foundation of its business activities.

#### Quality Assurance

Based on the Corporate Policy on Safety, the Environment and Product Quality, the Sumitomo Chemical Group provides quality products and services that its customers can satisfactorily use without concern by implementing measures for quality assurance that place more emphasis on the customer and by supporting measures to ensure quality at Group companies.

#### RC Audits

The Sumitomo Chemical Group performs RC audits and offers technical assistance to Group companies to support business creation and efficient business operations while promoting RC activities to minimize RC risks throughout the Group.

#### Social Activities

• We will put in place a workplace environment and system that motivates and satisfies employees by promoting diversity and work-life balance.

• We will engage in social contribution activities that are unique to Sumitomo Chemical and fulfill our corporate social responsibility as a global enterprise.

• Contributing to society through our business activities, we will encourage the active participation of all of our employees in CSR with a sense of purpose.

• We will work to improve the value of the Sumitomo Chemical Group corporate brand both within and outside the Company.



### ● Distribution of Economic Value to Stakeholders

In its dealings with stakeholders, Sumitomo Chemical strives to lift business earnings. In this regard, the Company has positioned the appropriate distribution of profits to stakeholders as a key social responsibility. In fiscal 2013, the Company distributed the following added value to its major stakeholders, which we have estimated by classifying the profits and costs posted in the financial statements by stakeholder with reference to the GRI guidelines and other materials.

### ● As a Member of the International Community

#### ● Signatory to the UN Global Compact

Sumitomo Chemical believes it is crucial to not only comply with international norms, but also to cooperate with international organizations, NGOs, and other companies in meeting the myriad of challenges faced by humankind and society.

Based on this understanding, Sumitomo Chemical became the first Japanese chemical company to participate in the UN Global Compact\*<sup>2</sup> in January 2005. In compliance with the 10 principles of the Global Compact, we are ramping up activities by networking with the UN and other organizations. In December 2008, Sumitomo Chemical became the first Japanese company to participate in the Global Compact Working Group on the 10th Principle (Anti-Corruption). Sumitomo Chemical reports on the progress of measures to comply with the Global Compact principles in this report as its COP (Communication on Progress). Moreover, the Company is working to ensure highly transparent information disclosure that meets the Global Company Advanced Level reporting criteria.

\*<sup>2</sup> UN Global Compact: Launched in 2000, the UN Global Compact is a United Nations initiative in which businesses demonstrate responsible and creative leadership and voluntarily participate in efforts to establish a worldwide framework that enables them to achieve sustainable growth.

#### The Global Compact's Ten Principles



##### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and  
Principle 2: make sure that they are not complicit in human rights abuses.

##### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
Principle 4: the elimination of all forms of forced and compulsory labour;  
Principle 5: the effective abolition of child labour; and  
Principle 6: the elimination of discrimination in respect of employment and occupation.

##### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;  
Principle 8: undertake initiatives to promote greater environmental responsibility; and  
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

##### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### Distribution of Economic Value by Stakeholder<sup>★</sup>

(Unit: million yen)

Stakeholder	FY2013	Calculation Basis
Shareholders	9,813	Dividends
Society* <sup>1</sup>	410	Donations
Environment	39,199	Environmental protection costs
Employees* <sup>1</sup>	72,128	Labor costs Salaries and allowances, reserve for bonuses, and allowance for retirement in the selling, general administrative and research expenses
Creditors	12,837	Interests paid, bond interest, and commercial paper interest
National and local governments	30,867	Corporate, inhabitant, and business taxes

\*<sup>1</sup> For the distribution of value to society and employees, the amounts are shown on a non-consolidated basis.

#### ● Participating in UN Global Compact LEAD

In January 2011, the Global Compact LEAD was launched with the participation of 54 companies (including three Japanese companies) that have made great contributions to the Global Compact as a new framework to bring the vision espoused under the UN Global Company to fruition. Sumitomo Chemical has been a member of the LEAD since its launch and has continued to support the objectives of the Millennium Development Goals (MDGs)\*<sup>3</sup>. Since fiscal 2013, the Company has also been a participant in the Post 2015 Development Agenda Project which is establishing development goals for fiscal 2015 and beyond. Among a host of initiatives, Sumitomo Chemical participated in the GC Leaders Summit and GC LEAD Symposium in fiscal 2013.



\*<sup>3</sup> MDGs represent the goals and action plans set by the United Nations with regard to eight issues such as poverty, education, the environment and human rights to be urgently implemented and achieved by 2015.

#### ● Participating in Activities that Promote Gender Equality

Sumitomo Chemical vigorously participates in activities that promote gender equality and empower women, one of the MDGs. Among a host of initiatives the Company became a signatory to the Women's Empowerment Principles (WEPs)\*<sup>4</sup> in fiscal 2013. Sumitomo Chemical also participated in a technical meeting and CEO roundtable of the women-specific investment (WINVest) initiative, a global partnership that focuses on improving vocational opportunities and employment for women organized by the International Finance Corporation of the World Bank Group.

\*<sup>4</sup> WEPs were formulated jointly by the UN Global Compact and UN Women.

### ● Current Issues and Future Plans

Recognizing the importance of CSR activities, we will work in unison across the Group as a whole to promote CSR and deepen the awareness toward CSR activities of each and every employee. As a member of the international community, Sumitomo Chemical will continue to make efforts to resolve global problems in cooperation with the UN, and other organizations and companies.

★ Assured by an independent assurance provider

### ● Basic Stance

Against the backdrop of an international community that is experiencing continuous globalization and an economic environment that is undergoing change, the Sumitomo Chemical Group regards serving the interests of its various stakeholders as the very foundation of corporate governance. With this in mind, we are working to bolster our corporate governance capabilities.

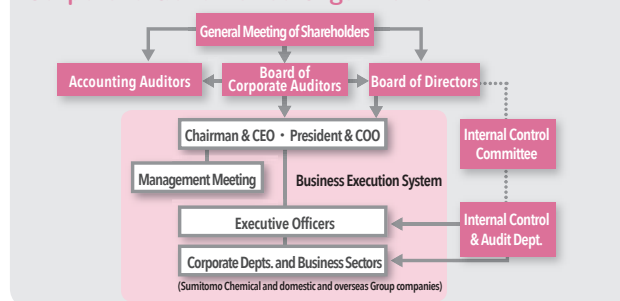
### ● An Overview of Activities

#### ● Management Structure

Sumitomo Chemical has introduced an executive officer system to expedite important decision-making and more clearly define responsibilities in the execution of its business. The Company's management structure currently consists of nine directors (all of whom are male and of Japanese nationality including one director from outside the Company) and 33 executive officers (including eight executive officers serving in a dual capacity as directors). Of the 33 executive officers, 32 are male and one female. Thirty-one executive officers are of Japanese nationality and two executive officers are of other nationalities (as of June 24, 2014). The Board of Directors ensures that important management decisions are appropriately made in accordance with laws and regulations, the Articles of Incorporation, and the regulations concerning the Board, and also monitors and supervises the performance of the directors. In order to further strengthen the oversight function, one director has been appointed to the Board of Directors from outside the Company. The executive officers are responsible for ensuring that business operations are carried out in accordance with the strategies determined by the Board of Directors. Compensation paid to directors is made up of a base payment determined according to each director's responsibilities and a bonus payment set in line with the Company's performance. Moreover, an advisory group concerning the nomination and determination of compensation paid to officers has been established to ensure that the opinions of experts from outside the Company are incorporated into important decisions and to further enhance management objectivity and transparency.

There are five corporate auditors, three of whom are from outside the Company. Corporate auditors help to ensure that the Company complies with all statutory and regulatory requirements while also promoting sound management. By incorporating the valuable opinions of corporate auditors, Sumitomo Chemical is putting in place a mechanism that serves to enhance efficiency. In addition to strengthening the auditing and oversight functions, corporate auditors help to increase the efficacy and efficiency of audits by promoting collaboration with the Internal Control & Audit Department.

#### Corporate Governance Organization



ment as well as Accounting Auditors.

#### ● Internal Control

Sumitomo Chemical recognizes the continuous development and enhancement of its internal control system as a necessary process in maintaining a sound organization, and believes this system should be actively utilized for the achievement of business objectives. Based on the Basic Policy for Enhancement of Internal Control established by the Board of Directors, we have strengthened the internal control system to conduct appropriate business operations throughout the Sumitomo Chemical Group, and have also formed the Internal Control Committee to maintain the system in response to changing circumstances. This committee is organized by the Internal Control & Audit Department, which proposes and modifies various measures for improving the internal control system and monitors their implementation.

#### ● Internal Auditing

Internal auditing is conducted by the Internal Control & Audit Department which is assigned for the function. The department evaluates and ascertains internal controls from the following perspectives in the execution of business duties by executives and employees of the Sumitomo Chemical Group: (1) effective and efficient operations; (2) reliability of financial reporting; and (3) design, operation, and effective functioning of internal controls concerning compliance with relevant laws and statutes in all business activities. In addition, the Internal Audit Coordination Board has been established to improve the effectiveness and efficiency of internal audits throughout Sumitomo Chemical and all Group companies.

#### ● Risk Management System

Sumitomo Chemical formulates in-house rules to promptly detect risks and prevent their materialization, and also to make appropriate responses in the event risks materialize. The Company also makes continual efforts to improve its risk management system. Risk assessment is performed across the Group each fiscal year and the Internal Control Committee decides on the basic policies concerning the entire Group's risk management. At the same time, the Risk Crisis Management Committee makes prompt responses in the event that a significant risk is realized.

#### ● Information Disclosure System

Sumitomo Chemical established the Corporate Communications Office to oversee public and investor relations activities. The Company is also working to provide its various stakeholders with information in a prompt, accurate, and fair manner while actively promoting dialogue with society. In addition, we endeavor to build stronger relationships of trust with society and capital markets by publishing reports including a corporate governance report that describes the Company's corporate governance philosophy and system, and a report indicating the status of independent directors/auditors who are unlikely to have conflicts of interest with general shareholders. These documents are available on the website of the Tokyo Stock Exchange where Sumitomo Chemical is listed.

### ● Current Issues and Future Plans

Taking into consideration social conditions as well as a variety of other factors including trends in legal systems, Sumitomo Chemical will continue to engage in a wide range of activities including efforts to secure the transparency and objectivity of management, bolster the functions of corporate auditors, and strengthen internal control and risk management systems.



● **"Compliance" is the cornerstone of Sumitomo Chemical to stay in business over the next 100 years.**

Sumitomo Chemical's Business Philosophy addresses, among other things, its earnest aspirations that "We develop a vibrant corporate culture and continue to be a company that society can trust". On this auspicious occasion of commemorating the landmark 100th anniversary of its founding, Sumitomo Chemical reaffirms, as a responsible corporate citizen, its firm commitment to this Business Philosophy and is determined afresh to devote more efforts than ever to conduct business with the unbending spirit of "Compliance" placed at the bedrock of corporate management. Conducting Compliance-oriented corporate management means laying the foundation for further cementing business platforms for greater growth over the next 100 years, as stated in Sumitomo Chemical's current Three-Year Corporate Business Plan (FY2013 - FY2015), which underscores "Ensuring Full and Strict Compliance" as one of the Company's Five Priority Management Issues.

Today, more than 100 Sumitomo Chemical Group companies are conducting business all over the world in a broad array of industrial fields. The global evolution of our business activities keeps advancing every day. On the other hand, we must recognize that the global business expansion carries with it our greater corporate social responsibility, not only at the level of an individual company, but also as the entire Sumitomo Chemical Group. Fully appreciating such a weighty responsibility, Sumitomo Chemical Compliance Committee, which supervises Compliance management at every company of Sumitomo Chemical Group, is constantly working hard so as to build and operate globally viable Compliance systems across the Group to ensure strict Compliance by every employee of individual companies. The Compliance Committee's recent efforts focus particularly on overseas Group companies, promoting down-to-earth activities to help enhancing their Compliance management.

● **Regional Compliance management is the linchpin of Group Compliance.**

"Compliance" generally means abiding by laws and regulations and conforming to business ethics. Specifically, however, we see wide variances between countries or geographical regions in terms of laws and regulations to observe, legitimate customary commercial practices to follow, or expected contribution of corporations to the well-being of local communities. In addition, as far as our Group companies are concerned, there is a great diversity in business operations, differing significantly in size or fields of business. To ensure each company's Compliance under the circumstances, simply applying an across-the-board common standard to all Group companies is far from adequate. Of greater importance is that we take a multilateral approach where, the business diversity being taken into account, specific Compliance initiatives are fine-tuned to individual situations of companies or those of countries and regions where the companies are located. From this perspective, Sumitomo Chemical considers it important to have an element of "regional characteristics" factored into activities to promote Compliance management globally, while maintaining shared Group-wide basic policy of Compliance. This multilateral thinking is briefly summarized by our guiding principle "Think globally, Manage regionally, Act locally". To put this principle into action, we have Regional Legal & Compliance Office ("RLCO") in

operation in each of our major business regions throughout the world so that the RLCOs can render hands-on support to Group companies in respective regions for their promoting Compliance initiatives.

● **"Three Pillars" are essential to ensuring Compliance.**

Without exaggeration, it can be said that the RLCOs are central players in our global endeavor to promote Compliance activities at every company of Sumitomo Chemical Group. While working closely with Sumitomo Chemical Compliance Committee, each RLCO provides all-out support to Group companies in its region, not only in building their proper Compliance systems, but also in ensuring to operate the same effectively as planned.

To establish an effective Compliance system, a company requires building "Three Pillars". First of all, the company must document specific Compliance rules and relevant work procedures to observe, make them thoroughly known to every employee, and then make sure that they are actually followed by employees in their day-to-day work. As a second pillar, the company must have internal resources allocated properly, such as human resources in charge of supervising and promoting Compliance activities. A third pillar is education. Since every business is conducted by human beings after all, it is essential that each and every employee should work with a high consciousness of Compliance. To nurture Compliance consciousness, nothing is more important than constantly providing Compliance education and trainings to employees at every opportunity possible. In reality, however, not many companies can afford to build on their own all of the above "Three Pillars", owing to various constraints, including a limited size of organization. It is for this reason that we have established the RLCOs to work with Group companies on the spot and support them in carrying out Compliance activities more effectively.

● **RLCO has begun operation toward building the Three Pillars.**

Obviously, each Group company must work by itself to ensure its own Compliance ("Act locally"). On the other hand, it is also true to say that many of the laws and regulations or social ethics which Group companies must conform to are common in the same region as well as in the same country. Given this, Compliance activities can be promoted more efficiently by the RLCO providing Group companies in the same region with individually tailored support reflecting such regional commonality ("Manage Regionally").

In fact, taking advantage of geographical proximity, the RLCO is working closely with Group companies through holding direct dialogue so that it can grasp firsthand various needs and tasks of those companies and, based thereon, assist them in planning and implementing specific measures for building and operating desired Compliance systems. The RLCO monitors the compliance situation of each company from time to time and works on problems or challenges that each company faces. At the same time, the RLCO frequently communicates with Sumitomo Chemical Compliance Committee and shares common understanding about major Compliance issues to work on for the relevant region as well as discussing broader Compliance issues ahead from medium to long term perspectives.

● **Globalizing business activities and Sustaining their legal soundness are an inseparable pair.**

As the world grows borderless and corporate activities expand across national boundaries, enforcement of laws and regulations is also becoming borderless. In recent years, we see a significantly increasing number of instances where judicial authorities charge corporations with their involvement in cartel or bribery activities. Clearly recognizing the immense impact that legal violations, if committed, would make on corporate activities, sometimes even threatening the survival of the corporation per se, Sumitomo Chemical positions legal risk management as its foremost operational management priority. We are working to strengthen activities for employees to ensure abiding by competition laws and keeping away from any corruptive conduct, such as bribery, as we further expand business worldwide. Above all, we must establish an internal structure that fulfills "three" objectives, namely, building a system capable of preventing legal violations and misconduct, setting detailed rules and procedures to make such a system function properly, and verifying that such rules and procedures are being followed without fail. Needless to say, equally important is for each employee to correctly understand those rules and procedures that are relevant to their own work.

When a company is to build a specific structure to ensure observing relevant competition laws or preventing bribery, it must thoroughly consider its organizational setup, fields of business and other factors peculiar to the company. Furthermore, specialized expertise about relevant laws and regulations, and practical skills of building a required structure must both be available to the company. Generally, it is practically difficult for a single company, particularly one of a relatively small size, to do all of these by itself. This is the very area where the RLCO is supposed to best assist. According to our regional management scheme, the RLCO is uniquely positioned in that it not only possesses required specialized knowledge, but also has a large reservoir of practical experiences handling various problems and possible solutions, as acquired through its substantive involvement in supporting Group companies to build and operate systems for preventing legal violations. Capitalizing on such distinct strengths, the RLCO offers a variety of useful advice and supports about introduction of an effective organizational structure that will suit the specific conditions of each company.

In connection with such activities, the RLCO in Singapore, which oversees Group companies in the Asia Pacific region, conducted a training seminar to Group companies in India in March 2013 and those in Malaysia in July of the same year. In January 2014, the RLCO in the USA held a training seminar to discuss issues on the U.S. Antitrust Law as well as Compliance subjects, with attendance of executives from Group companies in the U.S. Likewise, the RLCO in China gave a training seminar about the country's Anti-monopoly Law and bribery prevention for Group companies in Shanghai in February of the same year.

● **Compliance can only be achieved by every employee's heightened legal and ethical consciousness.**

During the past year, the speak-up system of Sumitomo Chemical received about 20 reports and questions concerning Compliance violations. The speak-up system aims to help the Company find and correct an employee's legal violation or misconduct, if any, as early as possible, or prevent occurrence of the same. Nearly all Group companies have introduced their own speak-up systems. Our fundamental thought driving the use of the speak-up system is that strict Compliance can only be achieved when each employee develops a strong consciousness not only of never committing any legal violation by oneself, but also of never overlooking other employees' misconduct.

If even a single employee of any Group company is unmindful of Compliance and engages in improper conduct, its consequences could turn out to be grave. Not only the company in question, but the entire Sumitomo Chemical Group might be substantially affected in reputation and lose society's trust and confidence just overnight that our predecessors have hard-earned over a significant period of time. Sumitomo Chemical views it most vital to heighten employees' consciousness of Compliance and therefore places paramount importance on enhancing Compliance education by providing various training programs and pursuing other initiatives.

In the past, Sumitomo Chemical has provided all of its employees with lecture-style educational programs on Compliance. To make the Compliance education more fruitful, we have also been looking into better-developed programs that would be more effective in elevating employees' consciousness of Compliance. In February 2014, we began operating an e-learning training program where employees can individually participate in the program with the use of their PCs according to his or her convenience of work. The e-learning program makes it possible for every employee to never miss an opportunity of receiving education and also to schedule his or her participation flexibly. Our e-learning training program teaches, by employing specific case examples, that Compliance violation could happen to anyone at any time in the course of his or her daily business activities and also helps employees recognize that Sumitomo Chemical's 100-year history of business growth is founded on our unwavering commitment to the spirit of Compliance that lies beneath the Sumitomo Spirit having been upheld over generations for more than 400 years.

Going forward, Sumitomo Chemical will continue to provide as effective an educational program as possible, with the extensive use of the e-learning training tools, which will be conducive to enhancing employees' consciousness of Compliance. At the same time, we intend to work with Group companies in Japan and abroad, helping them to introduce similar e-learning training programs. For overseas Group companies, the RLCO in each region will have a significant supportive role to play in designing and implementing such e-learning training programs in a manner to best meet specific requirements of each company.



## A Message from the Executive Officer in Charge of Responsible Care



**Osamu Maruyama**

Executive Officer  
Responsible Care Office

### The Importance of Responsible Care Management

Sumitomo Chemical recognizes that by engaging in responsible care (RC) activities, it is better placed to preserve the environment, safety, health, and product quality in all phases of the product life cycle. At the same time, the Company is conscious of the need to earn the trust of society through dialogue. Taking each of the aforementioned into consideration, we have positioned RC as one of our most important management pillars and in putting in place a management structure that includes all Works and Research Laboratories in Japan as well as domestic and overseas Group companies, we have worked diligently to engage in RC activities over a period of two decades. Today, RC is an essential component of efforts aimed at promoting CSR-based management for the benefit of individuals, society, and the earth and its significance and importance continue to grow.

### Enhancing RC Activities and Strengthening Risk Management

By undertaking specific measures to upgrade and expand activities, every effort has been made to build up a solid track record and to raise the level of Responsible Care management across the Group as a whole. Looking ahead, we will channel our energies toward identifying major risks according to their degree of importance across each RC activity area and strengthening our risk management capabilities accordingly.

### Ensuring Full Accountability

While upgrading and expanding its RC activities, Sumitomo Chemical also recognizes the critical need to ensure transparency. The Company is a signatory to the Responsible Care Global Charter drafted by the International Council of Chemical Associations (ICCA) in 2005. This Charter sets out common guidelines for voluntary steps by the chemical industry to review its RC activities and to implement and further strengthen the global management of chemical substances. In addition to raising the level of its RC performance, Sumitomo Chemical is looking to actively disclose details of its activities to a wide variety of stakeholders in the belief that full disclosure is an important conduit to earning trust and confidence.

### Maintaining Safe and Stable Operations

Recently, we have witnessed major incidents at chemical plants in Japan. As identified under our Corporate Business Plan's priority management issue, we have placed the utmost importance on RC activities and specifically on maintaining safe and stable operations at our manufacturing facilities. In concrete terms, we are working diligently to enhance our culture of safety and to strengthen our safety assurance capabilities in order to the lift safety levels across every facet of our operations. As we strive to ensure the achievement of zero-accident and zero disaster, we are looking to secure safe and stable operations.

### Contributing to the Sustainable Development of Society through RC

As a global diversified chemical company, Sumitomo Chemical will aggressively promote RC activities across the entire Group. By continuously improving our capabilities across each RC activity area, we will contribute to the sustainable development of society.

## Corporate Policy on Safety, the Environment and Product Quality

Sumitomo Chemical has set forth safety, the environment, and product quality as top priorities for all phases of its business activities in its Corporate Policy on Safety, the Environment and Product Quality. This policy has been communicated to all employees of Sumitomo Chemical and its Group companies to ensure that each and every employee is fully aware of it.

### Corporate Policy on Safety, the Environment and Product Quality

In conformity with Sumitomo's Business Principles, our Company fulfills its responsibility to develop, manufacture and supply a variety of products that satisfy the fundamental necessities of human life and contribute to the growth of society. Under the concept of "Making Safety the First Priority," which is fundamental to all the Company's operations, Sumitomo Chemical has based management of its activities on the principles of (i) maintaining zero-accident and zero-injury operations, (ii) ensuring customer satisfaction, and (iii) promoting mutual prosperity with society.

Paying due respect to these principles, our Company is determined to conduct all activities, including production, R&D, marketing & sales and logistics, in accordance with the following policy related to safety, the environment and product quality.

1. Maintain zero-accident and zero-injury operations and the safety of neighboring communities and our employees.
2. Ascertain the safety of raw materials, intermediates and products, and prevent our employees, distributors, customers and consumers from being exposed to any possible hazard.
3. Supply high-quality products and services that satisfy customers' needs and ensure safety in their use.
4. Assess and reduce our environmental impact at all operational stages, from product development to disposal, and undertake all practical environmental protection measures.

All sections and employees of our Company shall be made fully aware of the significance of this policy, and shall constantly strive to improve operational performance, while at the same time abiding by all relevant laws, regulations and standards.

Revised: November 1, 2005  
(Established: April 1, 1994)

President & COO  
Sumitomo Chemical Company, Limited

As a Responsible Care company, Sumitomo Chemical voluntarily implements policies that take safety, the environment, and product quality into consideration in all processes, from chemical substance development to disposal.

In January 2006, the CEO expressed the Company's strong support for and decision to carry out the Responsible Care Global Charter. This Charter was formulated by the ICCA in order to further promote responsible care activities and their globalization while upgrading and expanding chemical substance management.

## Policy on Responsible Care Activities

Sumitomo Chemical has summarized its key Responsible Care initiatives in its Policy on Responsible Care Activities, which is incorporated into the specific activity targets and plans formulated annually by the Company and each workplace.

### Policy on Responsible Care Activities

In accordance with the Sumitomo Chemical Charter for Business Conduct and the Corporate Policy on Safety, the Environment and Product Quality, the Sumitomo Chemical Group as a whole will strive to promote Responsible Care Activities, thereby earning the trust of society, promoting business activities, and contributing to the sustainable development of society.

1. We will achieve zero-accident, zero-disaster targets to ensure safe and stable operations.
2. We will conduct risk management throughout the life cycle of our products, from the stages of development to manufacturing, logistics, use and disposal, and strive to ensure the safety of our employees, those involved in logistics, customers and consumers as well as the local community while also preserving the environment.
3. We will strive to develop safe and environmentally-friendly products and manufacturing processes.
4. We will promote energy and resource conservation and waste reduction, thereby easing the environmental burden.
5. We will comply with all domestic and international laws, regulations and ordinances related to safety, the environment and product quality, and further enhance our related voluntary initiatives.
6. We will implement the requisite education and training related to safety, the environment and product quality.
7. We will disclose information on Responsible Care Activities and engage in dialogue with society to ensure we meet society's expectations, respond to its interests and remain accountable to the same.
8. We will continuously improve Responsible Care Activities based on Responsible Care auditing and third party verification.
9. We will support the Responsible Care Activities of Group companies, contractors and other business partners and help them carry out initiatives to enhance the same both at home and abroad.

Revised: July 15, 2013  
(Established: January 1995)  
Responsible Care Committee

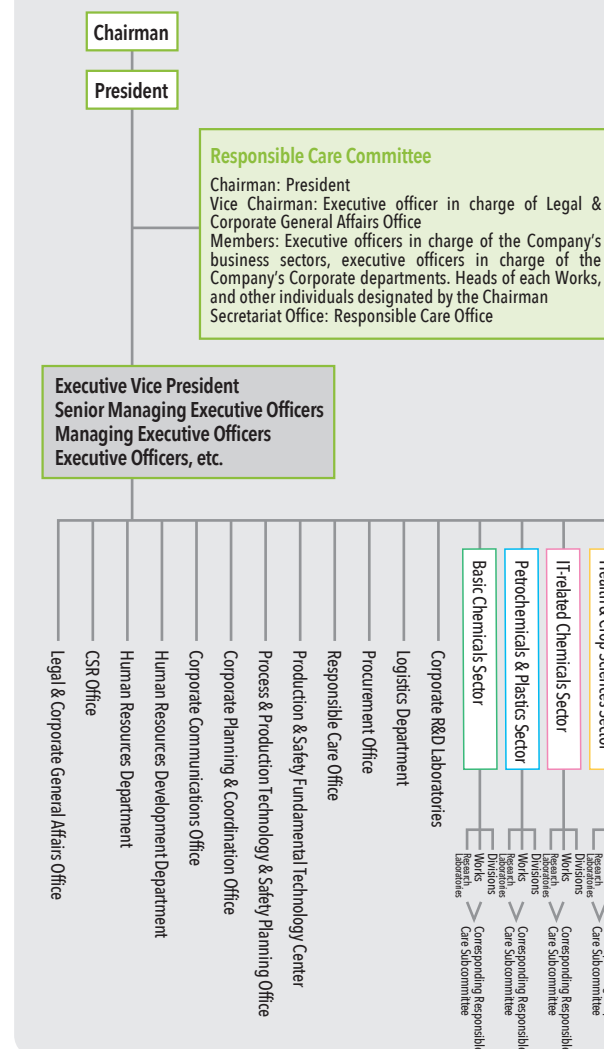


The Responsible Care mark and logo may only be used by companies that are members of the Japan Responsible Care Council.

## Organization for Responsible Care Activities

Sumitomo Chemical's RC activities are broadly classified into the five fields of occupational safety and health, industrial safety and disaster prevention, environmental protection and climate change, chemical safety, and product responsibility. Sumitomo Chemical has established the Responsible Care Committee to foster responsible care from a long-term view both comprehensively and efficiently. This committee is chaired by the executive officer in charge of Responsible Care and comprises executive officers supervising the four business sectors of the Company, executive officers in charge of the corporate departments (the Legal & Corporate General Affairs Office, CSR Office, Human Resources Department, Corporate Communications Office, Process & Production Technology & Safety Planning Office, Responsible Care Office, Procurement Office, and Logistics Department, etc.), and the heads of the Works. The Committee puts in place policies on activities, long-term plans, and specific measures (including ongoing improvement initiatives) as they relate to Responsible Care. The Committee also analyzes and assesses the results of Responsible Care activities.

### Organization of Responsible Care Activities





### ● Implementing Sumitomo Chemical's Medium-Term Plan for Responsible Care Activities (Fiscal 2013 to Fiscal 2015)

Sumitomo Chemical has put in place a medium-term plan (for fiscal 2013 to fiscal 2015) that covers the fields of occupational safety and health, industrial safety and disaster prevention,

environmental protection and climate change, chemical safety, and product responsibility. In this plan, we have also set targets for RC audits and logistics. We are striving to steadily conduct RC activities based on this plan while taking into consideration our targets for 2020.

	Medium-Term Plan (for fiscal 2013 to 2015)	Long-Term Goals for fiscal 2020
Occupational safety and health	Conduct activities to enhance a culture of safety	Achieve zero accidents by establishing a culture of safety
Industrial safety and disaster prevention	<ul style="list-style-type: none"> <li>Bolster industrial safety by promoting process risk assessment and safety measures</li> <li>Systematically implement measures based on review results of expected large-scale earthquake and tsunami scenarios</li> </ul>	Ensure the achievement of zero accidents and zero disasters through stable operations
Environmental protection	Achieve environmental protection targets	Promote risk-based environmental management
Climate Change	<ul style="list-style-type: none"> <li>Promote the development of environment-conscious products and processes</li> <li>Estimate the level of avoided greenhouse gas (GHG) emission to which our products contribute</li> </ul>	Promote the reduction of GHG emissions throughout the product life cycle
Chemical Safety	<ul style="list-style-type: none"> <li>Compile safety information utilizing the Sumitomo Chemical Comprehensive Environmental, Health &amp; Safety Management System (SuCESS) and use them for risk assessment (Hazard x Exposure)</li> </ul>	Promote risk-based chemicals management
Product Responsibility	Promote product safety risk assessments focused on the high-risk products	Complete the reevaluation of product safety risks
RC Audits	Optimize the auditee section selection methods	Share best practices
Logistics	<ul style="list-style-type: none"> <li>Reduce the number of logistics quality-related incidents</li> <li>Promote a modal shift</li> </ul>	Promote CSR in connection with logistics operations

### ● Applying the Sumitomo Chemical Group Responsible Care Standards

As part of measures to enhance internal control and foster efficiency in Group management, Sumitomo Chemical formulated the Sumitomo Chemical Group Responsible Care Standards in April 2010. Since then, Sumitomo Chemical has been applying the standards, which set forth the Group's policies, measures, procedures, and other basic requirements for each RC activity area, to its consolidated subsidiaries both within and outside Japan (excluding equity-method affiliates). The basic standards have provided Group companies with a solid activity foundation that can be shared among them regardless of the details of each business and have enabled the Group to conduct RC activities in a more unified manner. In fiscal 2013, steps were taken to review the standards and to publish and distribute the Guide of Sumitomo Chemical Responsible Care Management System. These initiatives were aimed at providing Group companies with a deeper understanding of what the RC activities should be. The Sumitomo Chemical Group now enters the fifth year of operating standards. Moving forward, the Group will raise the level of its Responsible Care activities and work diligently to implement the standards more efficiently and effectively.

### ● Strengthening the Responsible Care Global Management System

Sumitomo Chemical is vigorously promoting RC activities across the entire Group and is taking a variety of steps to support the RC activities of Group companies in Japan and overseas. As a part of its efforts to provide support, Sumitomo Chemical is (1) upgrading and expanding its structure and systems to promote and facilitate the sharing and distribution of RC-related information throughout the Group and will (2) set up a project team within the Responsible Care Office in August 2013 to better grasp and consider the support needs of each Group company and to implement appropriate measures. This project team is engaged in activities that encompass the entire Group and is comprised of

members of the Responsible Care Office, who specialize in the following fields: industrial safety and disaster prevention, occupational safety and health, environmental protection and climate change, chemical safety, product responsibility, and auditing. As one activity, the project team clarifies communication routes in order to ensure the timely sharing and distribution of RC newsletters between Sumitomo Chemical and Group companies. The project team has also initiated the dissemination of RC-related information to Group companies from April 2014. Distributed in Japanese, English, Chinese, and Korean, this information provides a summary of RC-related topics as well as accident and disaster information in a bid to prevent a recurrence of similar incidents and disasters.

Meanwhile, the 7th RC Global Meeting was held in May 2013. This meeting brings together representatives from all of the Group's overseas companies. The meeting brings together approximately 40 personnel who share best practices on an individual company basis. At the same time, participants are broken into groups by region to engage in vigorous discussion. This meeting is an excellent forum through which to improve the level of RC activities across the Group. In addition, a meeting to exchange information is held twice each year. Targeting around 50 Group companies in Japan, this meeting strives to address RC activity areas on a comprehensive basis. Meetings are also held on specific topics—chemical product safety being a major one—allowing for more detailed Group company support.

Looking ahead, the project team will serve as a central point of contact for RC activity support that is available to all Group companies. Energies will be channeled toward increasing the speed of RC-related information dissemination and to enhance information content. Equal attention will be paid to properly grasping the RC activity support needs of Group companies and to put in place and carry out measures that help improve the level of Group company RC activities.

Sumitomo Chemical has participated in the Eco-First Program of Japan's Ministry of the Environment since November 2008. As a leading company in the chemical industry, Sumitomo Chemical is committed to fulfilling its Eco-First commitments to the Japanese Minister of the Environment while ensuring legal compliance and enhancing RC activities.



**Results** ● Very favorable / ○ Generally favorable

### ● Management of Chemical Substances and the Promotion of Risk Communication

#### Reviewing safety information on chemicals and conducting risk assessments

- Proceeding favorably as planned
- Approximately 60% of hazard assessment completed and risk assessments performed for about 192 products

#### Voluntary initiative on the safety of HPV\*1 chemicals and conducting LRI\*2 activities

- (1) Voluntary initiative on the safety of HPV chemicals
- Conducted in cooperation with the world chemical industry; for hexane, continued measures as cosponsor in the consortium activity; submitted a report at CoCAM-5\*3 held in October 2013
- (2) LRI
- Participated in the LRI program implemented by the Japan Chemical Industry Association as a member of the steering committee, planning and management task force, and research promotion panel\*4

#### Halving the release of substances subject to the PRTR\*5 Act into the air and water

- Ensured thoroughgoing risk management; systematically reduced the amount released
- Secured an 86% reduction in fiscal 2013 from the fiscal 2008 level compared with the reduction target of 60% from the fiscal 2008 level (base fiscal year) by fiscal 2015

#### Enhancing information disclosure and risk communication

- Published the Sumitomo Chemical CSR Report and also the Report on the Environment, Health and Safety by each individual manufacturing site on a regular basis
- Published local PR newsletters, made school visits, accepted student interns, and engaged in dialogues with local residents at each of our worksites

### ● Preventing Global Warming

#### Improving unit energy consumption and unit CO<sub>2</sub> emissions at all manufacturing sites

- \*6 Continued to implement multifaceted energy conservation and CO<sub>2</sub> emission reduction measures, including improved operation methods, process rationalization, improvement of facility and equipment efficiency, efficient use of energy in cooperation with neighboring companies, and promotion of low-carbon fossil fuels
- Secured a 5.8% improvement in unit energy consumption in fiscal 2013 from the fiscal 2005 level compared with the improvement target of 10% from the fiscal 2005 level (base fiscal year) by fiscal 2015
- Secured a 12.6% improvement in unit CO<sub>2</sub> emissions (from the captive consumption of fossil fuels) in fiscal 2013 from the fiscal 2005 level compared with the improvement target of 8% from the fiscal 2005 level (base fiscal year) by fiscal 2015

#### Developing and making practical use of innovative energy conservation technologies to recover previously unusable low-temperature heat (130°C or below) generated by our petrochemical plants and reuse it at manufacturing plants

- Participated as an advisor in a joint R&D project conducted by a university and machinery manufacturer, which was fostered by NEDO as a project to develop innovative technologies to conserve energy. Drawing on the knowledge gained from fundamental experiments utilizing model machinery, we considered a variety of matters related to legal compliance, economic efficiency, and pending issues at the time of equipment installation (including ancillary facilities) regarding the potential application of heat pump systems at Sumitomo Chemical plants that generate low-temperature heat and submitted a summary report to the project

#### Continuously improving unit energy consumption in our logistics division

- Continuing to implement measures to increase the rate of transportation by rail and ship and to upsize transport containers
- Reported a 4.0% deterioration in unit energy consumption in fiscal 2013 from the previous fiscal year level compared with the annual average unit energy consumption improvement target of 1%

#### Reducing CO<sub>2</sub> emissions by households in cooperation with the labor union

- Strengthened communication activities through internal magazines and the intranet
- Promoted the thoroughgoing visualization of CO<sub>2</sub> emissions in the home through the use of proprietary Environmental Accounting Books

### ● Creation of a Recycling-Based Society

#### Reducing the generation of industrial waste and landfill through recycling and other means and achieving zero waste emissions

- Systematically promoted reductions in the generation of waste by improving processes as well as the reduction of industrial waste landfill through the recycling of such items as inorganic waste, waste plastic, and burnt residue; securing an 86.9% reduction in Group-wide industrial waste landfill in fiscal 2013 from the fiscal 2000 level compared with the reduction target of 80% from the fiscal 2000 level (base fiscal year) by fiscal 2015
- Industrial waste landfill exceeded the amount of waste generated by 3% at certain plants compared with the target of less than 3% across all plants by fiscal 2015

\*1. HPV: High Production Volume. \*2. LRI: Long-range Research Initiative. Long-term support for research into the effects of chemical substances on human health and the environment  
\*3. CoCAM: The Cooperative Chemicals Assessment Meeting. A meeting convened by the Organisation for Economic Co-operation and Development to discuss and consider existing chemical substance hazard assessment programs \*4. Research promotion panel: Commissioned expert research into the development of new risk methods, assessments, and related activities; held a meeting to report on the results of the research \*5. PRTR: Pollutant Release and Transfer Register (see note 1 on page 53) \*6. Unit energy consumption \*7. Unit CO<sub>2</sub> emissions \*8. 2005 recorded as the base fiscal year in accordance with determinations by Japan's Ministry of the Environment \*9. Reducing the generation of industrial waste and landfill \*10. Zero waste emissions  
(Note) Sumitomo Chemical made some changes to its Eco-First commitments in March 2012 and has been implementing measures to fulfill the revised version since April 2012. (For the full text of the Eco-First commitments, see the DATA BOOK.)



## Fiscal 2013 Goals

- Carry out audits at 15 Group companies in Japan and eight overseas Group companies

## Fiscal 2013 Results

- Carried out audits at 15 Group companies in Japan and six overseas Group companies

## Evaluation

○

## Fiscal 2014 Goals

- Carry out audits at 13 Group companies in Japan and nine overseas Group companies

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● The Role of Responsible Care (RC) Audits

The RC audit is a system for verifying that the activities to maintain and improve safety, environment and product quality are implemented properly as well as promoting improvements if problems are found.

## ● Fiscal 2013 Responsible Care Audit Results★

A total of 42 audits were conducted covering Sumitomo Chemical and its Group companies. RC audits provide suggestions to further improve RC activities; verify the status of preventative measures and such problem-solving initiatives as incident case studies; and offer guidance on making improvements.

## ● Responsible Care Audits Overview and Framework

### ● Overview

Sumitomo Chemical has an independent RC audit team. The RC auditors, who have a wealth of knowledge, experience, and technical expertise, take the lead in directly visiting internal Works as well as Group companies and conducting audits. In addition, RC audits of internal Works are conducted from a management perspective by Sumitomo Chemical's executive officers in charge of RC.

### ● Features

Features of Sumitomo Chemical's RC audits:

- Technical support is provided to ensure improvement at Group companies
- Throughout RC audits, human resource development programs are incorporated to train Manufacturing Section Heads of Sumitomo Chemical and RC staff of Group companies.

- Local consultants are engaged to ensure the thoroughgoing and comprehensive check of compliance at overseas Group companies

### ● The scope and cycle

RC audits are conducted annually at Sumitomo Chemical's Works and business sectors, and every three years at Group companies.



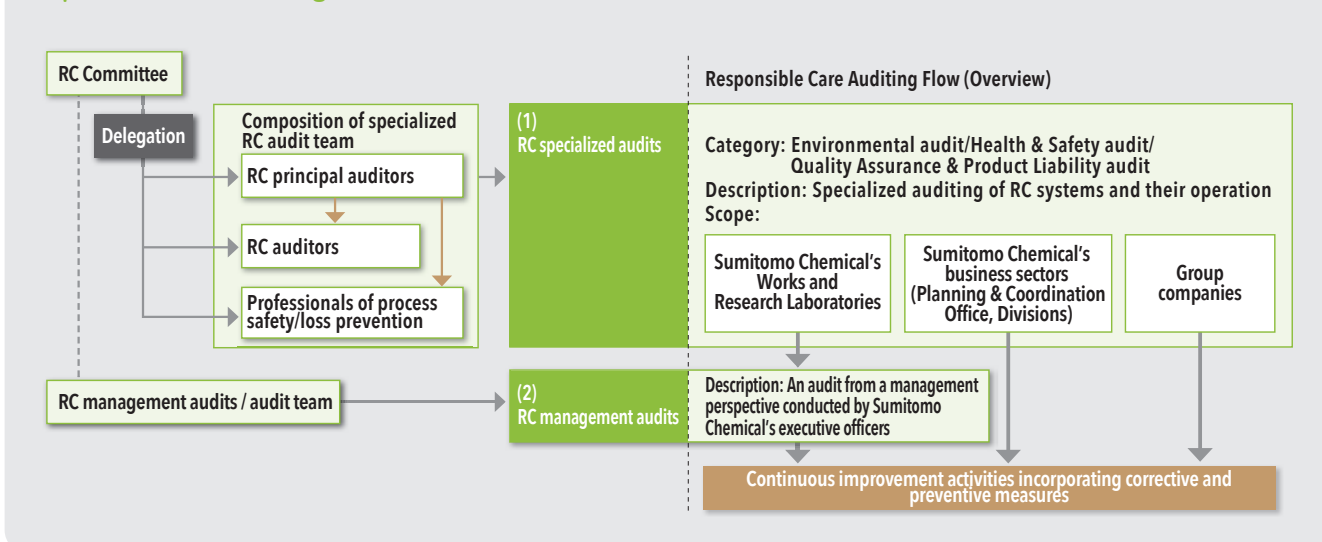
An audit conducted at Sumika Electronic Materials (Hefei) Co., Ltd.

## ● Improvement of Quality Assurance (QA) & Product Liability (PL) Audits

QA/PL audits verify management systems in order to supply high quality products and services that satisfy customers' needs and ensure they are safely used.

The RC audit team replaced the original method of QA/PL audit with "Sumika's way of QA/PL audit." This method enables us to identify issues with QA/PL management that could not have been identified using the previous method. From now on, this method is planned to be applied to Group companies' QA/PL audits.

## Responsible Care Auditing Framework



## RC Study Meetings for Group Companies

## TOPIC

Since fiscal 2010, Sumitomo Chemical has held study meetings to share information on and find solutions for common problems. In fiscal 2013, we held a meeting in November, with 30 employees from 20 domestic Group companies participating.

Adopting a roundtable format, lively discussions were held covering the three broad themes of (1)the Sumitomo Chemical RC Management System, (2)responses to questionnaires, (3)process safety for runaway reaction and safety measures.



RC study meeting for Group companies



## Participating in RC Audits

**Takashi Yamauchi**  
Chemical Safety, Environment and Loss Prevention  
Responsible Care Office  
Taoka Chemical Co., Ltd.

Being able to participate in RC audits at domestic Sumitomo Chemical Works has been a valuable experience. It was amazing to be able to play a hands-on role as a member of the audit team rather than simply being an observer. We are conducting self-inspections of similar risks at Taoka Chemical based on valuable information gained from dialogue and opinion exchanges during audits. Staying in close contact with audit members, we continue to receive technical assistance from them. I feel that the experience of participating in RC audits has been useful for further enhancing the company's safety assurance capabilities and the level of its RC activities.

## VOICE

## ● Current Issues and Future Plans

In fiscal 2014, we plan to take actions concerning issues and concrete measures raised in the Annual Responsible Care Policy.

## Fiscal 2014 Annual Responsible Care Policy (RC Audits)

### 1. Basic Concept

In accordance with "Fiscal 2013 to Fiscal 2015 Medium-Term Plan for Responsible Care Activities (Responsible Care Audits)," Sumitomo Chemical will strive to accomplish the following.

### 2. Fiscal 2014 RC Audit Policy

#### (1) We will enhance Global RC Audit

- 1) We will improve the integrated RC Audit Checklist for Sumitomo Chemical and Group companies.
- 2) We will promote the revised selection method of the sector for RC audits (continue fiscal 2013 implementation).
- 3) We will improve the contents of Management audits (improve fiscal 2013 implementation).
- 4) We will establish and implement "Sumika's way of QA/PL audit."
- 5) We will consider introducing RC audits for farms.

#### (2) We will enhance the technical assistance for Group companies

- 1) We will share the RC audit results.
- 2) We will support self-sustained improvement.
- 3) We will enhance the annual Group Companies' Workshop.
- 4) We will facilitate between group companies.

#### (3) We will support RC staff training

- 1) We will train RC staff of Group companies participating in the RC audits that SCC conducts internally.
- 2) We will continue training Manufacturing Section Heads of Sumitomo Chemical through the participation in RC audits.
- 3) We will study the concept of RC global auditors.
- 4) We will establish a competency evaluation method for RC auditors.

## What are Responsible Care Audits?

**Q:** Are audits conducted by external organizations more effective than internal audits?

**A:** Although audits conducted by external organizations ensure independence, time restrictions are unavoidable. On the other hand, RC audits conducted internally enable continual audits of numerous Sumitomo Chemical departments, so internal audits can find issues and verify the status of improvements effectively.

**Q:** Is it difficult for internal audits to point out issues in a strict manner?

**A:** SCC's auditors rigorously conduct internal audits with friendships put aside. There are differences of opinion, but discussions continue until a consensus is reached.

**Q:** What types of issues do audits bring to light?

**A:** For example, health & safety audits verify that hot work of welding and other hot work are permitted after it is confirmed that flamma-

ble gas is not in the vicinity of the work.

**Q:** What actions are taken after audits?

**A:** Audit staff work together to find solutions to problems found during audits. If technical issues are uncovered, the audit staff will provide relevant information. Moreover, the audit staff provides opportunities to gather together members of Group companies to share information on improvement case studies. Finally, an important function of the audit staff is to verify that problems have in fact been solved.

**Q:** Identifying problems is not the only role of audits, right?

**A:** Correct. The purpose of audits is not only to identify problems but also to ensure that no accidents occur at Sumitomo Chemical and Group companies and no customers are inconvenienced. All Sumitomo Chemical Group employees fully cooperate with audits, reflecting their understanding of this purpose.



# Initiatives for Occupational Safety and Health/Industrial Safety and Disaster Prevention



GRI Index | LA7 |

## Promoting Safe and Stable Operations

Large-scale fires and explosions continue to plague chemical plants in Japan. It has been noted that the root cause of these incidents has been a decline in safety at the Japanese chemical plants' manufacturing facilities, which had until recently been contributing to a high level of safety.

Sumitomo Chemical believes ensuring safety at the manufacturing facilities requires not only safety assurance capabilities, such as risk management systems, but also the establishment of a culture of safety that supports and promotes these safety assurance capabilities. Sumitomo Chemical first announced enhancing a culture of safety as part of the Responsible Care policy in the Company's Fiscal 2010–2012 Corporate Business Plan. The Company began to implement a variety of related activities following the launch of the project. Moreover, as one of the key management issues in the current Fiscal 2013–2015 Corporate Business Plan, the Company is actively working to improve safety with policies designed to ensure safe and stable operations by enhancing the culture of safety and strengthening safety assurance capabilities.

### Safety Assurance Capabilities and a Culture of Safety



## Enhancing a Culture of Safety

The chemicals industry has to date increased safety at its plants through the introduction of risk management systems and improved safety-related technologies. However, there have recently been a number of high-profile large-scale accidents where the source can be traced to erroneous operations or flawed decisions. Accordingly, attention is now focused on promoting a culture of safety that is based on safety activities involving mutual understanding, operational management and traditional learning. Sumitomo Chemical continues to promote policies to enhance a culture of safety and has set specific areas for focus based on a clear grasp of the strengths and weakness of each departmental unit and each individual workplace.

## Strengthening safety assurance capabilities

"Safety assurance capabilities" refer to actions and items essential to ensuring safety in the design, construction, and operation of plants, including a variety of safety-technology information, safety education, and process risk assessment. Having taken to heart a number of lessons learned from significant incidents in the past, Sumitomo has compiled a substantial safety-technology information database, developed risk assessment methods, and enhanced safety education efforts. Going forward, the Company will continue to implement various initiatives to strengthen safety assurance capabilities, which is a key issue.

## Basic Stance on Occupational Safety and Health

Sumitomo Chemical's fundamental principle on safety is "Making Safety the First Priority". The Company uses the following three points as guides in achieving this goal.

- (1) Line management is fundamental to Safety and Health.
- (2) Each person is responsible for Safety and Health.
- (3) Sumitomo Chemical is united with partner companies on Safety and Health.

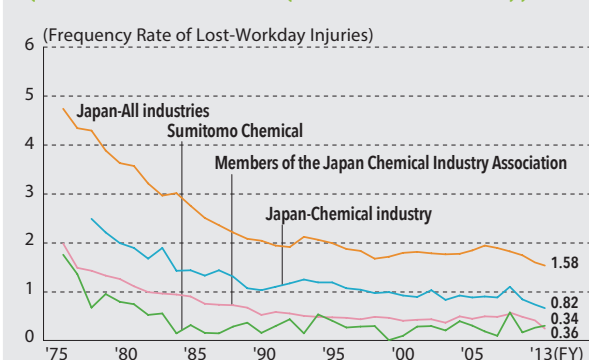
There are also five fundamental and personal principles that each employee is expected to follow:

- I will give safety and health the top priority in every aspect of business.
- I will identify and resolve safety and health issues at the source.
- I will comply with rules and instructions
- I will act with safety in mind 24 hours a day, not just during working hours.
- I will cooperate with all involved parties, including partner companies to ensure safety and health.

## Initiatives to Prevent Labor Accidents

**Labor accidents in fiscal 2013 and the Company's responses**  
There were five lost-workday injuries involving employees in fiscal 2013. Of these, one involved being caught in equipment, two involved falling down, one involved tripping, and one involved an injury arising from contact with a hazardous substance. To address serious accidents, Company-wide zero-accident patrols composed mainly of in-house health and safety staff were organized, surveys were conducted of facilities where accidents occurred, and improvement recommendations were made. We worked to improve safety Company-wide by providing certain recommendations to other facilities where improvements were considered necessary.

### Frequency Rate of Lost-Workday Injuries (Sumitomo Chemical (Non-Consolidated)) \*



### Fiscal 2013 Goals

- Lost-workday injuries: 0
- Severe industrial accidents: 0
- Workplace injuries in logistics: 0

### Fiscal 2013 Results

- Lost-workday injuries: 5
- Severe industrial accidents: 1
- Workplace injuries in logistics: 1

### Evaluation

△  
△  
△

### Fiscal 2014 Goals

- Lost-workday injuries: 0
- Severe industrial accidents: 0
- Workplace injuries in logistics: 0

Goal achieved or steadily progressing: ○; Goal not achieved: △

## Key Initiatives for Fiscal 2014

In light of the numerous accidents that occurred in fiscal 2013, the following two initiatives will be implemented Company-wide based on this analysis.

### (1) Ascertain the level of safety awareness among individual employees and provide personalized guidance

Ascertain the level of safety awareness among individual employees mainly through questionnaires and take steps to increase this through personalized guidance provided by line managers

### (2) Improve employee hazard prediction abilities

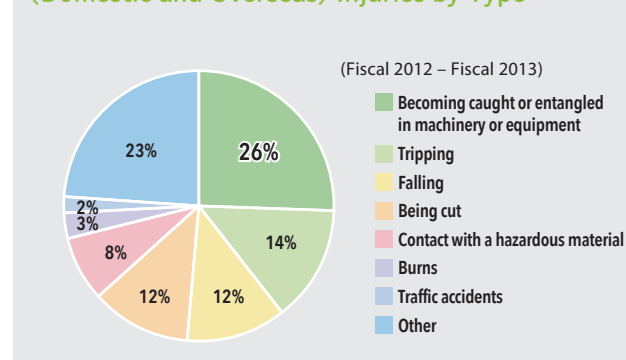
Invigorate Kiken Yochi Training (KYT) activities as a part of line management by training and dispatching KYT instructors to various facilities with the purpose of improving employee hazard prediction abilities

### Measures to Prevent Accidents Involving being Caught or Entangled in Machinery

The percentage of accidents involving being caught or entangled in machinery remained high, accounting for 26% (30 cases) of all\* workplace injuries at domestic and overseas Group companies between fiscal 2012 and fiscal 2013. The cause of such accidents can often be traced to a failure to halt the operation of machinery or equipment when the same machinery or equipment is undergoing adjustment, maintenance, or inspections due to malfunctions. Given the strong potential for serious injuries as a result of being caught or entangled in machinery, Sumitomo Chemical in fiscal 2014 will once again implement strict safety measures at Group companies that aim to prevent such injuries.

\*Total for lost-workday injuries and injuries not requiring lost-workdays for Company employees and employees at partner firms.

### Breakdown of Sumitomo Chemical Group (Domestic and Overseas) Injuries by Type



## Increasing safety awareness among employees

The newsletter *Sumitomo Kagaku* introduces the winners of the President's Awards for Workplace Safety and publishes the president's safety message during National Safety Week, which is observed from July 1 to July 7.

### The President's Awards for Workplace Safety

The president of Sumitomo Chemical personally visits and gives safety commendations to facilities that have recorded zero accidents. In fiscal 2012, the President's Award for Workplace Safety was established as a program to promote workplace safety at the section and team level, reflecting the president's idea that more can be done to encourage manufacturing and research employees to make steady efforts to maintain safe and stable operations. This award was presented to seven workplaces in fiscal 2012 and six in fiscal 2013.



(Award-winning workplace example: Polypropylene Section, No. 3 Manufacturing Dept., Chiba Works)  
This section continues to maintain no accidents thanks to safety initiatives undertaken by employees and cooperating companies.

Second (fiscal 2013) President's Award for Workplace Safety

## President's Safety Message

### Marking the 86th National Safety Week in Fiscal 2013

July 1, 2013  
Masakazu Tokura

To mark the 86th National Safety Week and in light of employees' daily efforts to maintain safe and stable operations, I would like to express my heartfelt appreciation for the hard work of all employees as we take steps to further improve the Company's performance. I would also like to take this opportunity to express my desire to further improve the level of safety management.

We will implement National Safety Week for fiscal 2013 under the slogan: "Working together to eliminate accidents by increasing the safety awareness of everyone." Working to improve the safety awareness and danger sensitivity of everyone from business operators to workers will help us maintain employee safety and eliminate accidents.

Although lost-work injuries had been around two per year, Sumitomo Chemical's employee safety record has been very disappointing in light of the four accidents that occurred during the previous fiscal year. In the current fiscal year, two lost-workday injuries occurred in May. I consider this extremely regrettable given that we had aimed for no lost-workday injuries this year.

Based on the philosophy of "Making Safety the First Priority," Sumitomo Chemical has been enhancing its culture of safety—which stresses autonomous thinking and actions—since fiscal 2010 by fostering a proper understanding of the importance of safety at all workplaces and among all employees.

This year's Company-wide safety slogan is: "Creating a culture of safety by working together with families and friends." This refers to maintaining safety through the mutual support of workplace friends and family members.

While it goes without saying that employees need to stay aware of potential hazards in all of their actions, it is my desire to create safe and secure workplaces by stressing that employees also keep in mind workplace friends to ensure mutual care and attention in all of their duties.

Summer will soon be upon us. As the temperature rises, concentration often decreases, so please be sure to confirm safety prior to starting work and adhere to basic protocols with the idea of achieving zero accidents.

In conclusion, I sincerely hope you and your family enjoy lives filled with health and happiness. Stay safe!



### ● Raising the Level of Safety!

Sumitomo Chemical has placed particular emphasis on raising the level of safety across every facet of its operations since fiscal 2013. In a bid to foster greater awareness toward safety among employees, steps are being taken to publish and distribute information that covers specific examples of disasters that can easily occur and detailed explanations of safety issues and countermeasures.



Raising the Level of Safety! (Theme: Accidents that can occur when walking down a flight of stairs)

### ● Slogan and Poster for Occupational Safety and Health

As part of its effort to foster the safety awareness of employees, Sumitomo Chemical each year collects ideas submitted from all the employees and uses the best suggestions to create a Slogan for Occupational Safety and Health and a Poster for Occupational Safety and Health. These are then displayed in each workplace to bolster employee awareness.

### Fiscal 2014 Slogan and Poster for Occupational Safety and Health



In order to improve workplace safety, I am committed to developing my hazard perception skill to eliminate any hazard from my workplace.

#### Thoughts of the Slogan Writer

A keen sense of awareness toward danger is essential in the prevention of disasters. Recognizing whether a particular operation carries with it the potential for hazard requires a certain level of experience. I am convinced that awareness toward safety in the workplace can be successfully fostered in a short period of time when senior employees make the effort to pass on to junior employees the necessary level of experience and understanding.



Slogan writer:  
**Takitaro Yamaguchi**

Development Group  
Energy Device Department  
Tsukuba Material Development  
Laboratory

### ● Safety Education to Prevent Labor Accidents

With the goal of improving each employee's sensitivity, foresight, and hazard prediction abilities, the Company continues to implement safety measures that include disaster preparedness training and "know-how, know-why" education.

#### 1) Examples at the Works and Research Laboratories

Sumitomo Chemical is not only implementing accident preparedness training and hazard prediction training, also known as Kiken Yochi Training (KYT), but also promoting strict compliance with basic safety rules, confirmation of commands and reporting of the results, and the method of pointing a finger while calling out an action.

#### 2) Examples at the Head Office and Branch Offices

Sumitomo Chemical is improving safety awareness using the safety and health rulebook to promote the study of disaster information from both the Company and Group.



4R-KYT\*1 practice competition  
\*1 4-round Kiken (hazard) Yochi (prediction) Training.

### ● Initiatives for Ensuring Safety in Logistics Operations

#### ● Activities of the Sumitomo Chemical Logistics Partnership Council

The Sumitomo Chemical Logistics Partnership Council was formed by Sumitomo Chemical and the 117 companies handling logistics operations for the Sumitomo Chemical Group companies. The Council maintains committees covering Works in various locations, logistical centers (transport and storage), and marine transport. Commendations have also been presented in appreciation of member companies whose actions have served as an example to other companies.

#### Workplace Injuries in Logistics\*



Note: Accidents caused by companies handling logistics operations that occurred within the premises of Sumitomo Chemical workplaces and accidents caused by the four major companies handling logistics operations that occurred outside Sumitomo Chemical workplaces.

### ● Measures Aimed at Improving the Lifting and Handling Operations of Cargo for Tank Trucks and Lorries

According to a survey by Japan's Ministry of Health, Labour and Welfare, falls account for more than 30% of all accidents during cargo handling operations. The frequent delivery and dispatch of cargo by tank trucks, lorries, and containers is a feature of the Company's chemical plants. Activities necessarily entail the handling of cargo at substantial heights around the upper sections of each vehicle. Taking into account this feature of the Company's shipping activities, workplaces have been configured to ensure operating safety when handling cargo at these heights (photo at left). At the same time, operators employ harness-type belts to further enhance safety (photo at right: in addition to the torso, these belts extend across each operator's thighs and shoulders thereby covering the entire body). In this manner, Sumitomo Chemical is taking a variety of measures to ensure safety from collisions and falls.



Truck forwarding area



Harness-type safety belt



### Initiatives Undertaken by the Ehime Works Logistics Committee

**Eiji Kido**  
Secretariat of the Ehime Works Logistics Committee  
Ehime Works (Administration Department)

The logistics committee at Ehime is made up of 19 member companies. Depending on the type of work, we also have in place three subcommittees and eight working groups. Every effort is being made to engage in highly collaborative activities between companies. In addition to logistics safety, steps are taken to evaluate examples of incidents relating to logistics quality and to extend countermeasures horizontally across the organization. Frontline patrols are conducted in a bid to identify trouble spots as well as positive features, which are then shared throughout all member companies. This is in turn helping to raise the level of each company and worksite. Thanks largely to these endeavors, the Ehime Works Logistics Committee achieved 24 consecutive months of accident-free operations in January 2014, and this record continues unbroken as of the end of March 2014. The trouble spots uncovered and improvement proposals put forward as a result of these activities help to improve facilities within customers' premises while also significantly contributing to logistics safety and increased quality.

### ● Basic Stance toward Safety and Disaster Prevention Management

The foremost mission of industrial safety and disaster prevention management is to prevent unforeseen plant accidents including fires, explosions, and the leakage of hazardous substances. At the

same time, every effort must be made to minimize damage in the event of a disaster such as a major earthquake. Through these means, the Company is committed to securing the safety and peace of mind of employees and local communities. With this in mind, Sumitomo Chemical takes voluntary steps to put in place a safety management structure, undertakes stringent plant risk assessments, and works to continuously strengthen safety measures based on its evaluation of risks.

### ● Fiscal 2013 Safety and Disaster Prevention Results

Sumitomo Chemical has identified the target of "no severe industrial accidents\*2." Regrettably, there was one severe industrial accident\* in fiscal 2013 compared to two severe industrial accidents in fiscal 2012.

• A fire at the electric power substation within the Chiba Works (July 29, 2013)

There was no human injury attributable to the incident or impact on local residents. Sumitomo Chemical does, however, extend its sincere apologies to all concerned for the inconvenience and anxiety caused. Turning to Group companies, there was no incidence of a severe industrial accident.

Sumitomo Chemical has fully analyzed the causes of the aforementioned accidents and is reflecting on them to enhance safety management across the Company and prevent serious industrial accidents from occurring.

\*2 "Severe industrial accidents" refers to any of the following workplace incidents:

- Accidents that cause injuries to local residents requiring outpatient/hospital treatment
- Accidents that result in lost-workday injuries to workers on the site, or
- Accidents that result in equipment and facility damage exceeding ¥10 million

### ● Process Safety Management

Sumitomo Chemical performs safety assessments at each stage of product development and industrial scale production from new chemical process R&D to plant design, construction, operation, maintenance, and disposal. The items and procedures essential to safety assessment are specifically outlined in the Safety Management Guidelines that provide the standard for the Company.

#### (1) Evaluation of new processes

The Process Safety Review Committee (levels 1 to 5) convenes at every step, from R&D through to industrial scale production. In essence, this Committee plays a technical audit role focusing on process safety assessment results and whether safety countermeasures are appropriate. This mechanism ensures that processes do not proceed to the next step unless adequate safety has been confirmed.

#### (2) Regular review of existing processes

Even without a change in the process, Sumitomo Chemical is conducting regular reviews to ensure the latest information on industrial safety technologies and whether there will be a significant impact from the long-term use of a plant.

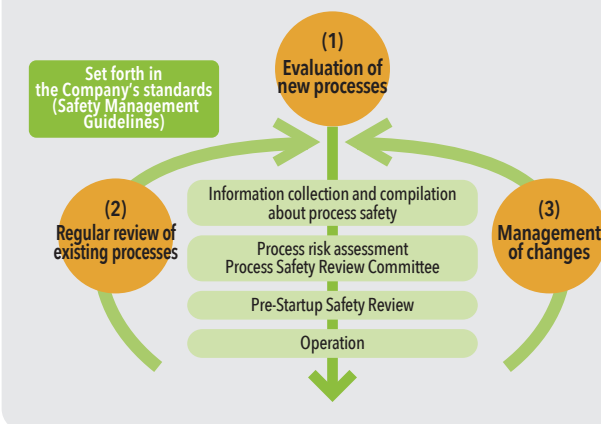
#### (3) Management of changes

When certain changes are made to, for example, improve plant facilities or modify operating conditions, the Company conducts all necessary safety assessments before such changes are made in order to ensure safety levels are maintained after each change has been completed.

As this system is utilized within the Company, it is well-known among Group companies and continues to ensure a deep level of process safety throughout the organization.



## Process Hazard Management (three routes)

The Launch of Several Process  
Safety Review Committees

	R&D stages		Industrialization stage		
Fiscal year	Level 1	Level 2	Level 3	Level 4	Level 5
2011	23	18	54	96	37
2012	23	23	51	92	36
2013	28	32	47	107	23

## Self-Administered Safety Management

With the aim of improving the level of self-administered safety management, Sumitomo Chemical is actively setting and revising internal guidelines for industrial safety and disaster prevention, maintaining a data base for information on industrial safety technologies and developing the most cutting edge assessment technologies.

In fiscal 2013, Sumitomo Chemical took steps to provide details of additional case studies and promote improvements to its existing literature on accidents and other troubles, a key portion of the Company's internal guidelines. These guidelines provide a breakdown of industrial safety accidents and troubles that have occurred inside and outside the Company by unit operation and equipment type, and are organized so that the causes of the accidents or troubles, as well as safety checkpoints, are easy to understand. The guidelines are distributed to Sumitomo Chemical and domestic Group companies and are used extensively in case study meetings and for educational purposes.

Moreover, details of certain internal case studies were also prepared in English and Chinese in fiscal 2013. This initiative was aimed at putting in place an environment in which Group companies outside Japan could more easily gain access. Looking ahead, every effort will be made to enhance the level of industrial safety and disaster prevention across the Sumitomo Group as a whole by ensuring that the appropriate information, including case studies of accidents, is distributed throughout Group companies in Japan and overseas in a timely manner.

## Disaster Prevention Education

Sumitomo Chemical has a variety of disaster prevention educational programs that conform to the operational roles of employees throughout the Company. The programs are aimed at bolstering the ability of employees to acquire knowledge and skills in order to ensure process safety.

## E-learning

One of the documents summarizing the basic rules of safety management is the "Safety Management Guidelines" publication. The Company believes it is mandatory that technicians involved in plant operations and process development have a clear understanding of the Safety Management Guidelines. Accordingly, Sumitomo Chemical decided to foster a deep understanding of the information contained in the Safety Management Guidelines. The Company began making good use of the e-learning educational system in 2007, and in five years almost all participants in the system have completed their courses. The Company revised the educational materials in fiscal 2012 and allowed employees who had already passed to retake the course with the new materials. Through these means, Sumitomo Chemical is working to maintain and improve understanding through repetition.

Activities to Strengthen Safety Assurance Capabilities  
Risk Assessment for Irregular Periods

As a common issue that has emerged following recent major disasters and accidents within Japan's chemical industry, we are witnessing stricter adherence to the implementation of risk assessment, increased use of industrial safety information, and proliferation of all relevant know-how.

Against this backdrop, Sumitomo Chemical is looking beyond efforts that merely identify the inherent risks associated with regular operations and is also focusing on a comprehensive review of irregular operations including procedures for an emergency plant shutdown as well as startup after a suspension of operations. As a part of these endeavors, the Company began identifying industrial safety risks in earnest from fiscal 2012. In undertaking these activities, we sought the input of not only plant staff but also employees working in our design and industrial safety management departments as well as specialist researchers and former employees who have a wealth of experience in plant and related facility operations. Over a period of approximately five days, lengthy discussions were held in a bid to uncover industrial safety risks, train younger staff, and pass on essential know-how.



A meeting to consider industrial safety

## Group Training (Classroom Training, Hands-on Training)

With the aim of promoting the acquisition of basic knowledge regarding safety and disaster prevention, Sumitomo Chemical conducts a fire and explosion training course to improve and maintain awareness of safety and disaster prevention measures. The course includes not only the study of safety and disaster prevention theory, but also a hands-on experience, where students can get a real feel for the danger involved in fire and explosions. Sumitomo Chemical also conducts Company-wide Safety Education covering the latest topics each fiscal year. Domestic Sumitomo Chemical Group companies are also taking part in these group lessons.

The Company-wide Safety Education held in fiscal 2013 was titled "Learning from past accidents (part 2)," an area of focus carried forward from the previous fiscal year. Drawing on information of recent major accidents at other companies within the industry in Japan, training was directed toward uncovering the reasons for each accident and to ensure that the appropriate lessons were learned. These training sessions were held at a total of eleven Sumitomo Chemical Works and Research Laboratories and attended by 830 technicians mainly from manufacturing, engineering, and research departments. Of this total, 102 individuals from 25 domestic Group companies (32 locations in all) participated in this training.

## Lessons Learned from the Great East Japan Earthquake

## Risk and Crisis Management

In the event of a large-scale disaster, such as an earthquake, companies must ensure the safety of local residents, employees, and other stakeholders. They are also expected to minimize the impact of such disasters on their business as a part of their corporate responsibility and also as a precondition for their survival. Based on this recognition, Sumitomo Chemical has set out its basic policies on risk and crisis management, and has placed first priority on the safety of people, the environment, and society. As a result, the Company is confident in its ability to respond swiftly and appropriately in the event of a disaster.

## Ensuring Safety for Employees and their Families

With the goal of preparing employees to act calmly in the aftermath of a large-scale disaster such as an earthquake, Sumitomo Chemical created emergency response manuals for each worksite. Manuals are produced in pocket-sized versions, allowing them to be taken anywhere. In addition, in order to ensure that employees can keep in touch with family members during a disaster, the Company created the "My family's disaster preparedness memo," where family members can discuss how to plan for a disaster at home.

## Enhancement of the Disaster Prevention System

With large-scale earthquakes and tsunamis in mind, the Company is working to improve a variety of disaster prevention systems, including systems to support information collection and emergency contacts, systems to allow the emergency dispatch of information, and systems to support rescue and evacuation efforts, emergency response activities, and the supply of emergency provisions.

In addition, each office conducts various disaster prevention exercises in cooperation with local authorities so that these systems will work smoothly in times of crisis.

## Earthquake and Tsunami Countermeasures at Works and Research Laboratories

At our Works and Research Laboratories that handle hazardous substances and high-pressure gases, we are striving to ensure safe and stable operations and are voluntarily implementing safety measures that exceed the level required by law.

Sumitomo Chemical drew up a basic policy on earthquake countermeasures in 2004 taking the initiative to improve the earthquake resistance features of equipment and structure that were especially susceptible to the risk of damage. Moreover, the Company has accelerated the pace at which it implements voluntary measures in accordance with recent directives by government authorities to improve the seismic adequacy of existing facilities.

## Industrial Safety Action Plan

## TOPIC

In its role as an industry organization, the Japan Petrochemical Industry Association drew up an industrial safety action plan in July 2013 in a bid to step up efforts aimed at promoting industrial safety and preventing industrial accidents. Here we introduce the Company's initiatives in response to the action plan.

## (1) Commitment by top management to industrial safety

- Sumitomo Chemical has identified efforts to ensure full and strict compliance and maintain safe and stable operations as one of the Group's priority management issues under its Corporate Business Plan.
- The president issues a safety week message to all employees and Group companies in Japan and overseas to coincide with National Safety Week, which begins on July 1 each year.

## (2) Setting industrial safety targets

- Each year, Sumitomo Chemical sets targets for a variety of key parameters including the elimination of all accidents resulting in lost workdays as well as all severe industrial accidents. The Company engages in a broad spectrum of activities aimed at achieving these targets.

## (3) Drawing up an action plan to secure industrial safety

- Sumitomo Chemical has initiated activities aimed at thoroughly identifying industrial safety risks that encompass regular and irregular operations.

## (4) Checking and evaluating progress toward achieving targets and implementing measures

- Chaired by a director, the Responsible Care Committee reviews progress toward the achievement of targets and the implementation of measures. Findings under this review are reflected in the plan for the next fiscal year.

## (5) Initiatives aimed at promoting voluntary safety activities

- Sumitomo Chemical designates one day each month as a "safety day" in an effort to continuously focus the attention of the entire Group on the importance of industrial safety.
- Sumitomo Chemical has initiated the program for the President's Awards for Workplace Safety.
- Academic experts conduct seminars and undertake an evaluation of industrial safety capabilities.

## Current Issues and Future Plans

With the aim of putting in place a structure that is capable of achieving and maintaining "zero accidents," Sumitomo Chemical will continue to implement activities to enhance a culture of safety. At the same time, the Company will look to calculate the degree of improvement.

Moreover, with the goal of reducing severe industrial accidents to zero, Sumitomo Chemical will upgrade and expand efforts aimed at reinforcing its safety assurance capabilities. Initiatives will safety assurance on knowledge of process safety technologies from the "know-how" perspective.



## Fiscal 2013 Goals

- Continue to act precisely in accordance with domestic and overseas laws and regulations
- Promote risk-based chemicals management and information disclosure
- Promote utilization of the comprehensive chemical management system (SuCCESS) and take concrete steps toward extending across Group companies

## Fiscal 2013 Results

- Acted precisely in accordance with relevant laws and regulations
- Put in place risk assessment methods and an internal implementation system
- Took steps to consider introduction at two Group companies on a trial basis

## Evaluation

○ ○ ○

## Fiscal 2014 Goals

- Continue to act precisely in accordance with domestic and overseas laws and regulations
- Continue to promote risk-based chemicals management and information disclosure
- Continue to promote utilization of the comprehensive chemical management system (SuCCESS) and develop concrete plans for expansion to Group companies

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● Basic Stance

In order to achieve the 2020 target\*<sup>1</sup> proposed at the World Summit on Sustainable Development (WSSD) in 2002, it is time for the management of chemicals to be based on chemical risk and enforced by both statutory and regulatory compliance as well as voluntary measures by companies on a global basis. In order to achieve the 2020 target, Sumitomo Chemical is an active participant in such voluntary initiatives as the Global Product Strategy (GPS)/Japan Initiative of Product Stewardship (JIPS)\*<sup>2</sup> put forward by chemical industry associations including the International Council of Chemical Associations (ICCA) and the Japan Chemical Industry Association. At the same time, the Company adheres strictly to a policy of chemicals management to ensure the safe handling of its products across the entire life cycle from research and development to disposal.

\*1. 2020 target: Ensure that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.

\*2. GPS/JIPS: Initiatives that call on companies to conduct risk assessments of their products and to engage in appropriate chemicals management based on risk in order to minimize risks throughout the supply chain. Under GPS/JIPS, safety information on chemical products is disclosed to the general public, including customers.

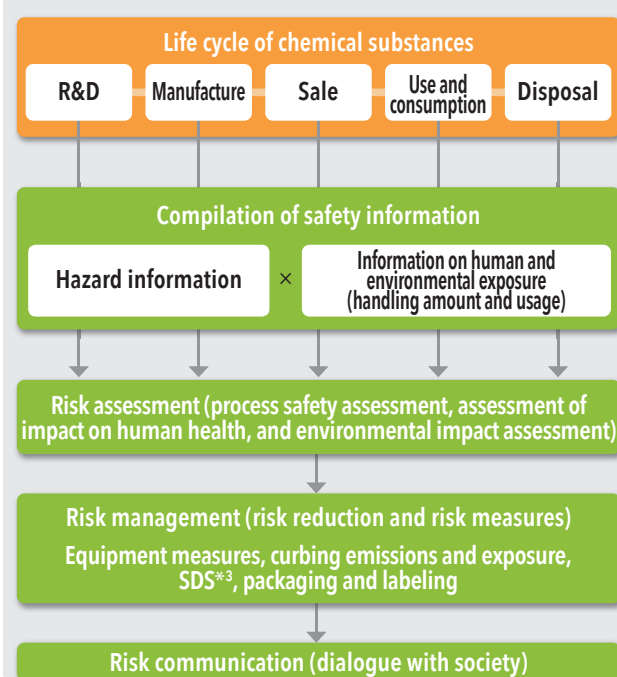
## ● Summary of Activities

Sumitomo Chemical took the lead as a diversified chemicals manufacturer in supporting the Ministry of the Environment's Eco-First program, promising to systematically conduct appropriate risk assessments for all its products manufactured or sold in annual amounts of one tonne or more by fiscal 2020 (see page 30). In conducting risk assessments, Sumitomo Chemical takes steps to assess (1) the hazards associated with its products and (2) the levels of human and environmental exposure to its products during manufacture and use. In this manner, the Company will look to assess the impact of chemical substances on human health and the environment throughout the life cycle of its products from both the hazard and exposure perspectives. In hazard assessments, the Environmental Health Science Laboratory will not only draw on data acquired through its own endeavors but also adopt a comprehensive approach utilizing existing knowledge and all available literature. After reviewing the reliability of this information, Sumitomo Chemical will move to compile the appropriate data. From an exposure perspective, assessment will be made of volumes handled, application, and handling conditions. The results of risk assessments will be used to ensure proper risk management in the handling stages of the products assessed. Results will also be documented in an easy-to-understand manner and disclosed to the general public.

## GPS/JIPS Safety Summaries URL

<http://www.icca-chem.org/en/Home/Global-Product-Strategy/global-product-strategy/chemical-information-search/>

## Risk-based Management of Chemicals throughout the Entire Life Cycle



\*3. Please refer to the note on page 41.

## ● Effective Use of SuCCESS

In order to appropriately manage and effectively use information on chemicals such as their composition handled by the Company, and in the context of safety and regulatory requirements amid increased international awareness of the need for the sound management of chemicals, Sumitomo Chemical has developed the comprehensive chemical management system (SuCCESS)\*<sup>4</sup>. This system is used to address inquiries from customers concerning substances contained in products, confirm the content of substances subject to regulation, and other initiatives including the preparation of SDSs (in multiple languages) in accordance with GHS. Steps are also being taken to extend the use of SuCCESS across Group companies.

\*4. SuCCESS: Sumitomo Chemical Comprehensive Environmental, Health & Safety Management System

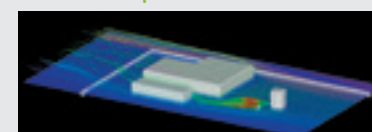
## ● Exposure Assessment with Chemical Products, Environmental Health Science Laboratory

The Environmental Health Science Laboratory of Sumitomo Chemical assesses the safety of the substances handled and products manufactured by the Company on human health and the environment. The laboratory makes assessments in diverse fields ranging from genetics to environmental and ecological science, using the latest scientific knowledge and advanced technologies.

Accurately ascertaining the manner in which employees at the Company's Works, local residents, and living creatures, such as fish come into contact with the chemical products manufactured by Sumitomo Chemical as well as the level of exposure are vitally important in properly evaluating the risks associated with chemical products and, thus, in putting in place appropriate risk management measures. With this in mind, Sumitomo Chemical takes into consideration the properties of chemical products as well as their handling and environmental conditions to estimate and measure the amount of chemical substances emitted into the atmosphere and waterways. Moreover, the Company draws on the behavioral patterns of people and other living creatures to predict their level of exposure.

The following diagram is based on a simulation of dispersion and distribution patterns by wind direction in the event a chemical substance manufactured at the Company's Works is externally emitted. The Company's Environmental Health Science Laboratory collaborates with the Production & Safety Fundamental Technology Center, which engages in the research and development of advanced manufacturing and process safety, to develop proprietary simulation tools for various exposure scenarios. Furthermore, the laboratory keeps up on the latest tools and technical knowledge relevant to exposure assessments from around the world. In this manner, every effort is made to improve the accuracy of assessment methods and ensure chemical product safety.

## Diagram based on simulations forecasting concentrations of outdoor dispersions and wind direction



\* The blocks, gradation, and flow lines are representations of buildings, chemical air concentration, and wind direction, respectively.

## ● Careful Consideration for Animal Studies

In the process of developing useful chemical substances, a large variety of safety assessments are required. With this in mind, Sumitomo Chemical is actively developing new assessment methods including structure-activity relationships approaches and minimizing the use of laboratory animals for safety assessments.

However, assessments on humans, animals, and the environment cannot be completed without conducting experiments using laboratory animals. Sumitomo Chemical advocates humane treatment of laboratory animals and applies the 3Rs of animal use and animal welfare: replacement, reduction, and refinement to conduct animal studies appropriately with due consideration for animal welfare.

## ● Employee Education and the Sharing of Information with Group Companies

In order to act precisely in accordance with domestic and overseas laws and regulations, Sumitomo Chemical conducts periodic employee training sessions in regard to regulatory trends, including lessons dealing with the chemical substances control law\*<sup>5</sup>, and REACH\*<sup>6</sup>. To promote the sound management of chemicals, the Company also provides education on the practical use of SuCCESS and risk-based management. Steps are being taken to promote the regular sharing of information between Group companies as a new trial initiative from fiscal 2013, such as holding information exchange meetings focusing on chemicals management.

\*5. Abbreviation for the (Japanese) Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

\*6. REACH: EU regulations by European Council and European Parliament for the managed use of chemicals in order to protect human health and the environment.



## Participating in Chemical Safety Group Company Information Exchange Meetings in Japan

**Muneharu Nozawa**  
General Manager, Responsible Care Office  
Production and Technology Division  
Koei Chemical Co., Ltd.

VOICE

Koei Chemical promotes chemical safety initiatives, such as compiling hazard data, preparing SDSs, and complying with all relevant statutory and regulatory procedures as well as requirements in Japan and overseas. Despite these endeavors, however, the company continues to confront difficulties in interpreting legislation and regulations as well as a host of procedural and other issues on a daily basis. During the first Group company chemical safety information exchange meeting, the Company's Responsible Care Office provided details of projected revisions to related laws, the current status of legal proceedings, and trends toward GHS implementation overseas. In this regard alone, the meeting was extremely useful and significant. In addition, Group companies gave presentations of their individual chemical safety activities. These presentations proved fruitful by introducing fresh initiatives to a host of commonly shared issues. Information relating to trends in legislation both in Japan and overseas was particularly enlightening. I am confident that this exchange of information can be used to address a variety of problems and to enhance the quality of the company's chemical safety activities. With the first information exchange meeting serving as a good template for future meetings, topics of discussion focused exclusively on chemical safety activities. In this regard, the meeting was a change of pace to conventional RC Group company meetings. Looking ahead, I see a great deal of potential for these meetings going forward.

## ● Current Issues and Future Plans

In the near future, the establishment and revision of laws and regulations relating to chemicals management are expected to pick up in other countries and regions, including Southeast Asia. It is therefore vital that Sumitomo Chemical appropriately comply with all statutory and regulatory requirements in Japan and overseas while carefully studying information on the aforementioned trends, putting in place the comprehensive chemical management system (SuCCESS), and ensuring its active application. Moving forward, the Company will continue to engage in voluntary management activities, including the promotion of the chemical industry initiatives GPS/JIPS, and systematically implement risk-based chemicals management as well as the disclosure of information in line with efforts to fulfill its Eco-First Commitments.



## Fiscal 2013 Goals

- Promotion of product safety risk assessments focused on high-risk products\*1
- Logistics quality-related incidents: No Rank A or Rank B incidents, two or fewer Rank C incidents

## Fiscal 2013 Results

- Performed risk assessments of 61 products, including high-risk products
- Logistics quality-related incidents: No Rank A or Rank B incidents, no Rank C incidents

## Evaluation

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## Fiscal 2014 Goals

- Promotion of product safety risk assessments focused on high-risk products
- Logistics quality-related incidents: No Rank A or Rank B incidents, two or fewer Rank C incidents

Goal achieved or steadily progressing: ○; Goal not achieved: △

\*1 High-risk products: Products likely to have relatively high risks in terms of the nature of the chemical substances in the product and their application.

## Basic Stance

We, Sumitomo Chemical is committed to supplying high-quality products and services that satisfy customers' needs and ensure safety in their use, based on the Corporate Policy on Safety, the Environment and Product Quality. The Company conducts risk assessments on supplied products, taking into account not only their use by our direct customers, but also the use and disposal of such products by their customers as well (the so-called end-users). We are also committed to conveying relevant information about chemical substances contained in our products based on the results of safety tests and studies regarding these substances. To supply products and services of stable quality to our customers, we maintain our commitment to further improving product quality and are continually enhancing our quality assurance system.

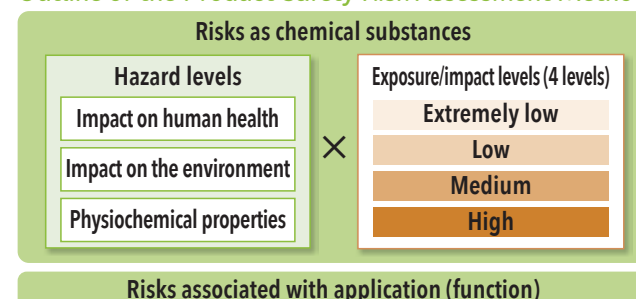
## Assessment of Product Risks

We ensure the safety of our products throughout their life cycle, from development, manufacture, distribution, and use through to disposal. As shown in the figure below, our risk assessment method for product safety consists of two assessments. The first is an assessment of their risks as chemical substances based on hazard levels and exposure/impact levels. The second is an assessment of the risks in their application. Based on these assessments, we take appropriate measures to reduce risk. In fiscal 2013, we established rules for using Design Failure Mode and Effect Analysis (FMEA)\*2 at the design development stage to reinforce the assessment of risks in the application of final products\*3 among our products. These rules will be applied starting in fiscal 2014.

\*2. FMEA: A systematic method of analysis for detecting potential malfunctions and defects with the objective of preventing malfunctions and defects. For more details, refer to the Topic on page 42.

\*3. Final product: A product at the top of the supply chain for which Sumitomo Chemical guarantees the final performance.

## Outline of the Product Safety Risk Assessment Method



## Risk Assessment Results★

In addition to conducting risk assessments based on the aforementioned methodology to ensure that products new to the market are safe and reliable, Sumitomo Chemical is promoting the ongoing reassessment of products that are already on the market. We conducted a total of 192 product safety risk assessments in the four years between fiscal 2010 and fiscal 2013, including 61 risk assessments in fiscal 2013 alone. We intend to complete reassessments of risks for all products on the market by fiscal 2020. In addition, we are making preparations to implement similar product safety risk assessments throughout the Group.

## Providing Appropriate Information

To guide its customers on the safe handling of its products, Sumitomo Chemical conducts safety tests and examines related safety data of chemical substances contained in its products, and supplies the results as Safety Data Sheets (SDSs)\*4 to its customers. For products that need to be handled with special care, we create Yellow Cards (simplified SDSs) for use in the event of emergencies during transport, and we provide the necessary information to transportation companies.

In recent years, regulations for the management of hazardous chemical substances contained in products have been tightening all over the world. Accordingly, it has become necessary to properly manage the chemical substances in products and also convey information related to these chemical substances throughout the supply chain. Sumitomo Chemical became a member of the Joint Article Management Promotion consortium (JAMP)\*5 in order to build a system for obtaining and managing information about chemical substances contained in its products. We are providing customers with the information that they require by using the JAMP system (MSDSplus\*6 and AIS\*7). Moreover, Sumitomo Chemical provides relevant information at the request of its customers in accordance with the conflict mineral disclosure regulations\*8 in the United States. Sumitomo Chemical procures minerals responsibly alongside its suppliers based on its procurement policy of not using conflict minerals.

\*4. SDS: SDSs include information on the safe handling of chemical products (properties, handling methods, safety measures, etc.) and should be created in compliance with the Japanese Industrial Standards (JIS) and the standards set by the International Organization for Standardization (ISO).

\*5. JAMP: For details of activities, see the JAMP website at <http://www.jamp-info.com/english>

\*6. MSDSplus: Information communication form developed by JAMP for regulated substances contained in chemical products.

\*7. AIS: Information communication form developed by JAMP for regulated substances contained in products.

\*8. U.S. conflict mineral disclosure regulations: These regulations require companies to disclose and report to the U.S. Securities and Exchange Commission the use of any conflict minerals (tantalum, tin, gold, tungsten) mined from the Democratic Republic of the Congo or neighboring countries in products or their manufacturing processes.

## Providing Stable Quality Products and Services

As a general chemicals company, Sumitomo Chemical is proud to offer its customers products and services from a variety of fields. In order to continue to offer our customers stable quality on all our products, we have created a quality assurance system based on manufacturing and quality management criteria and quality management systems (ISO 9001\*9, GMP\*10, and FAMI-QS\*11) that conform to each product. In addition to maintaining thorough day-to-day product quality management, we are committed to further improving product quality.

In fiscal 2013, there were no major quality problems with our products and services. We will do our utmost to maintain this problem-free situation.

In recent years, we have diversified production models in tandem with our business globalization, such as in procurement of raw materials from overseas and production at overseas bases and at contractors. In order to continue supplying products of uniform quality worldwide while implementing these changes, we are putting in place a global quality assurance system while strengthening management of overseas suppliers and contractors. We are also improving quality assurance at our Group companies inside and outside Japan by ascertaining the state of product quality and safety through RC audits and providing guidance based on these audits.

\*9. ISO 9001: The international standards on quality management systems issued by the International Organization for Standardization (ISO).

\*10. Good Manufacturing Practice (GMP): Standards relating to manufacturing and quality management of pharmaceuticals.

\*11. FAMI-QS: The Quality and Safety System for Specialty Feed Ingredients and their Mixtures of the EU.

## Design FMEA

## TOPIC

FMEA\*2 stands for the Failure Mode and Effect Analysis. Design FMEA seeks to discover potential defects inherent in the design of products, by identifying the impact on an entire product from the malfunction of a single component of the product. Analysis is based on three factors comprising the frequency of the malfunction, the degree of impact from the malfunction, and the process of detection of a malfunction. Design FMEA then seeks to reduce the risk of malfunction, starting with the components that would have the largest impact. The effectiveness of the risk-reduction measures is then reevaluated based on these factors to verify whether a desired outcome has been achieved.

FMEA makes it possible to root out the cause of potential product malfunctions and defects and to prevent product quality and safety problems from arising.

## Working to Ensure Logistics Quality

### Packaging Material Management System Using RFID Tags (Chiba Works)

Sumitomo Chemical recycles flexible container bags as packaging materials to deliver to customers large volumes of plastic products, such as polyethylene and polypropylene. After products are delivered to customers, the empty flexible container bags are temporarily stored on the customers' premises and collected when the next shipment is delivered for the return trip to the Company's Works through an intermediary warehouse. Some of the flexible container bags

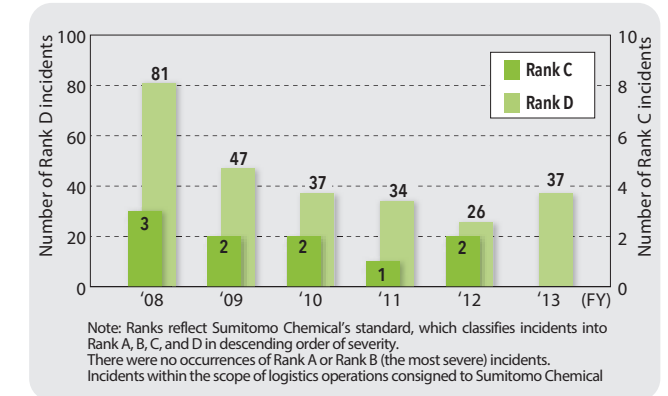
have come back torn and dirty, and we had trouble identifying the cause of the problems in order to improve the situation. To resolve this issue, we affixed RFID tags (tags with IC chips containing unique identifiers) to all of the flexible container bags. This allowed us to visualize logistics by tracking the unique identifiers with detection gates and handheld scanners as the flexible container bags entered and exited various stages of the logistics process. Thanks to this system, we were able to easily identify the causes of problems such as dirt in the logistics process. It has led to greater customer satisfaction through the provision of higher quality logistics services.



Packaging management system

### Logistics Issues Having an Impact on Our Customers (Sumitomo Chemical (Non-Consolidated))\*

In fiscal 2013, the Company had zero incidents classified as C rank or higher. However, there was an increase in minor incidents compared with the previous fiscal year, so we are redoubling efforts to improve logistics quality.



## Current Issues and Future Plans

In line with its Eco-First commitments, Sumitomo Chemical is making systematic progress in its goal to complete reassessments of risks for all products on the market and confirm the effectiveness of related strategies and measures by fiscal 2020. We will continue to work tirelessly to maintain sustained product quality improvements and achieve optimal quality assurance amid changing business conditions.



## Fiscal 2013 Goals

- Promote an optimum mix of appropriate legal compliance measures in Japan and overseas and voluntary activities
- Strengthen, upgrade, and expand organizational structures and systems aimed at promoting environmental activities
- Strengthen environmental management and reduce environmental impact through the effective use of systems
- Consider utilizing environmental management accounting and other methods

## Fiscal 2013 Results

- Grasped environmental regulatory trends in a timely manner and undertook concrete measures
- Implemented Company-wide organization management as planned
- Completed the standardization and systematization of environmental management
- Continued to consider environmental impact assessments and material loss analyses

## Evaluation

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## Fiscal 2014 Goals

- Promote an optimum mix of precise responses to more stringent laws and regulations in Japan and overseas and voluntary activities
- Strengthen, upgrade, and expand organizational structures and systems aimed at promoting environmental activities
- Promote labor saving in and streamlining of environmental management
- Consider utilizing of environmental management accounting and other methods

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● Basic Stance

Protecting the global environment while contributing to the sustainable development of society is one of the obligations we fulfill for living in a modern society and it is also a vital management issue for the solidification of our business foundation. Giving top priority to addressing a range of urgent, global-scale environmental protection issues, Sumitomo Chemical is implementing specific initiatives aligned with its businesses and deploying those initiatives across the Group. At the same time, the Company is working to decrease the environmental impact of its business activities and to develop products and processes that have a low environmental impact. As an Eco-First company (see page 30) that participates in Japan's Ministry of the Environment Eco-First Program and plays a leading role in initiatives concerning the environment, Sumitomo Chemical is aiming to achieve the targets set for the prevention of global warming and the reduction of waste.

## ● Priority Implementation Issues of the Medium-Term Plan for Responsible Care Activities (for Fiscal 2013 to Fiscal 2015)

## (1) Environmental Protection

1. Take definitive steps to uphold Eco-First Commitments
2. Promote an optimum mix of appropriate legal compliance measures and voluntary activities
3. Standardize environmental protection management methods and reduce environmental treatment expenses
4. Strive to achieve the energy and environmental protection targets shared across the Group

## (2) Climate Change Measures

1. Achieve the world's highest energy efficiency standards
2. Develop processes and products that help build a low-carbon society
3. Effectively implement management of energy consumption and CO<sub>2</sub> emissions

## ● System Upgrades

## ● Promotion System

Sumitomo Chemical regularly holds the Environmental Conservation Team Leader Meeting and the Energy Manager Meeting, which are attended by the energy and environmental conservation managers from each Works and Research Laboratory. The meetings lead to more efficient and practical environmental protection activities as those attending exchange wide-ranging information and hold detailed discussions about common,

Company-wide issues or individual issues faced by each site and ways to respond to those issues. Sumitomo Chemical also established the Environment Management Subcommittees and Services Subcommittees as forums that lead to the implementation of a raft of specific measures from facility and operational aspects. At subcommittee meetings, site managers in charge of water discharge and waste treatment or utility management operations at each site exchange opinions on responses to technical aspects from a more specialized perspective. Through these kinds of cross-organizational activities, the Sumitomo Chemical Group is helping to overcome a variety of difficult challenges through the steady implementation of PDCA cycles.

## ● Environmental Education

Sumitomo Chemical conducts educational training tailored by rank for managers, employees, and new hires for the purpose of improving their knowledge and expertise with regard to environmental protection. Every year, we review and strive to improve the curriculum and provide instruction at the business unit level and Companywide in a timely manner based on a plan covering the year. The textbooks used for this training offer simple explanations of the Company's environmental management activities and stress the sharing and understanding of not only each issue, but also the basic thinking behind environmental management.

## ● Summary of Activities

Carrying on the previous fiscal year's policy in fiscal 2013, Sumitomo Chemical worked to achieve an even higher level of environmental management by continuing to engage in a wide range of specific activities. These included activities to prevent global warming and energy-environment strategies; share energy and environmental protection targets throughout the Group; promote the standardization and systematization of environmental managements; enhance risk management based on environmental risk assessment; disclose Scope 3 data (indirect greenhouse gas emissions by companies throughout the supply chain); and consider the practical use of environmental efficiency indicators and environmental management accounting methods.

## ● Promote global warming prevention and energy-environment strategies

Shifting to production operations that have a low impact on the environment, Sumitomo Chemical promotes business operations that help reduce GHG emissions and actively deploys

specific measures to enhance GHG emission management by further visualization of the amount of GHG emitted.

## ● Strive to achieve the energy and environmental protection targets shared across the Group

All Sumitomo Chemical Group companies in Japan and overseas have set common targets for their core performance of energy and environmental protection activities. They are working to be more efficient in their energy consumption and decrease their impact on the environment with a view to achieving the targets.

(Please refer to pages 47, 50, and 51. For details, please see the DATA BOOK.)

## ● Promote greater sophistication in environmental management

With a view to reducing labor and streamlining the gathering, processing, and evaluating of main environmental performance data, the Company is engaged in the standardization and systematization of these tasks in a planned manner. These include the building of a system to gather Company-wide energy and GHG data, the trial evaluation of a waste management system, and a review as well as systematized examination of Company-wide environmental protection performance data gathering and management methods.

## ● Enhance risk management based on environmental risk assessments

Sumitomo Chemical makes concerted efforts to reduce risk by assessing environmental risk with regard to chemical substances emitted from its sites into the environment, including the atmosphere and water. Specifically, the Company sets voluntary emissions standards based on the results of its risk assessments around its site boundaries and at the outlets where wastewater is discharged into public water areas. The Company then implements the necessary measures to comply with standards. Risk assessments of all the major chemical substances have been finished, and environmental measures have been implemented. (Please refer to pages 51 to 54.)

## ● Scope 3 Data disclosure

The Company is monitoring the amount of indirect greenhouse gas emissions (Scope 3) throughout its supply chains and conducting assessments of their impact. Under its standardized calculation rules, the Company gathered fiscal 2013 performance data that are most relevant to its operations from among the 15 categories in Scope 3.

Status of Scope 3 GHG Emissions  
(Sumitomo Chemical (Non-Consolidated))

No.	Category	Emissions (t-CO <sub>2</sub> /year)
1	Purchased goods and services	2,100,000
2	Capital goods	113,000
3	Fuel- and energy-related activities not included in Scope 1 and 2*	205,000
4	Upstream transportation and distribution*	52,700
5	Waste generated in operations*	20,700
6	Business travel	6,070
7	Employee commuting	7,220
8	Upstream leased assets	770
11	Use of sold products*	126,000

## ● Examining the Practical Use of Environmental Efficiency

Indicators and Environmental Management Accounting Methods  
Assessing the environmental impact of each Group company using JEPIX<sup>\*1</sup>

In fiscal 2013, as in the previous fiscal year, we undertook environmental impact assessments using JEPIX, in order to evaluate the effectiveness of this index as a strategic management indicator, and continued with relevant analyses. Assessing the environmental impact of each product by LIME<sup>\*2</sup> For more practical use of LCA<sup>\*3</sup> data both internally and externally, we use LCA software (MiLCA) from the Japan Environmental Management Association for Industry to undertake environmental impact assessments of our major products using the LIME method.

Trial evaluation of material flow cost accounting (MFCA)<sup>\*4</sup>

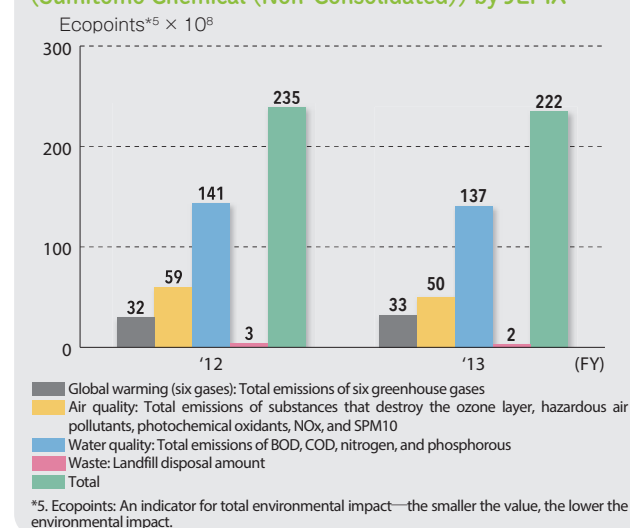
We are continuing to evaluate the effectiveness of this tool and also are performing examinations for the simplification and standardization of the method and procedures in order to foster their use. MFCA, which focuses on the loss of energy and resources, helps minimize loss and cost and reduces environmental impact.

<sup>\*1</sup> Environmental Policy Priorities Index for Japan (JEPIX): This method, which employs a uniform single indicator called "Ecopoints" to evaluate environmental impact, is derived from the Swiss LCIA Eco Scarcity methodology. The current method evaluates the discrepancy between targets (e.g. laws and environmental policies) and actual conditions based on material flow data.

<sup>\*2</sup> Life-cycle Impact assessment Method based on Endpoint modeling (LIME): A life-cycle impact assessment method developed in Japan as a cornerstone for measuring Japan's environmental conditions.

<sup>\*3</sup> Life Cycle Assessment (LCA): A method for evaluating the environmental impact of products and services throughout their lifecycles.

<sup>\*4</sup> Material Flow Cost Accounting (MFCA): An environmental cost accounting method that identifies input costs of materials, processing, electricity, fuel, and others, and compares them with the energy and resources lost in manufacturing processes.

Breakdown of Aggregate Values for Environmental Impact  
(Sumitomo Chemical (Non-Consolidated)) by JEPIX

## ● Current Issues and Future Plans

The priority implementation issues under the Medium-Term Plan for Responsible Care are environmental management issues, and taking a specific approach will be key to tackling these issues. While constantly monitoring energy and environmental trends in Japan and around the world, the Company will endeavor to further strengthen its environmental management foundation to balance both management and the environment.

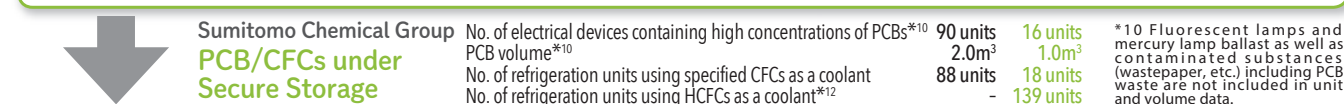
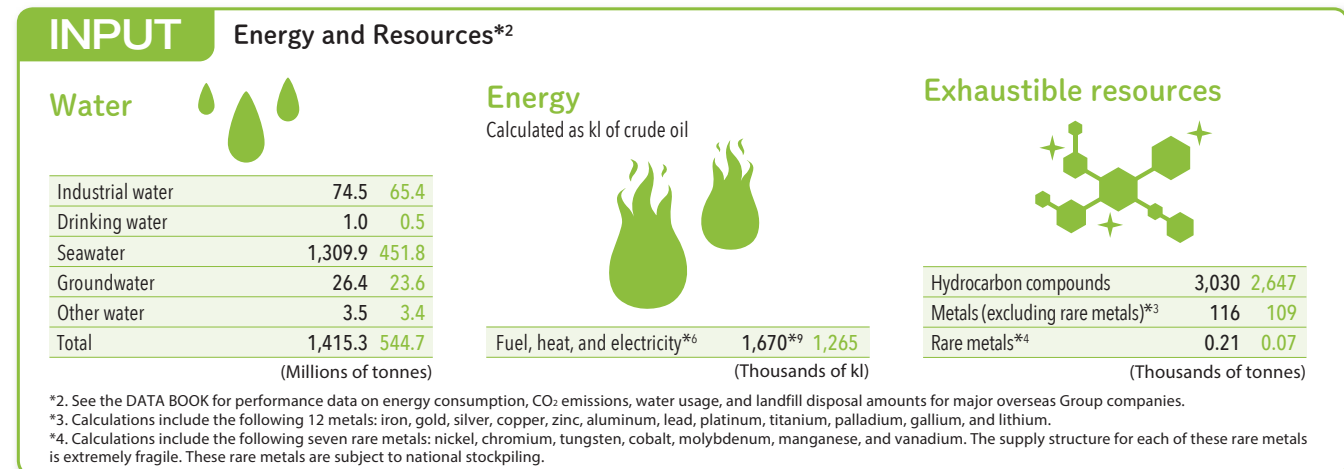


Sumitomo Chemical collects and totals the Group's environmental data, including data on its energy and resource consumption, production quantities, and environmental impact (e.g., release of pollutants into the air and water). We also introduced environmental accounting for the Group and continuously publicize the results.

\*1. Environmental performance data is provided for Sumitomo Chemical and the following Group company manufacturing facilities: Sumitomo Dainippon Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika-Kakoushi Co., Ltd.; Asahi Chemical Co., Ltd.; Shinto Paint Co., Ltd.; Sumika Styron Polycarbonate Limited; Sumika Bayer Urethane Co., Ltd.; Nihon Oxirane Co., Ltd.; and Sumika Agrotech Co., Ltd.

## Primary Environmental Performance (Fiscal 2013)\*

Figures in black: Sumitomo Chemical Group\*1 Figures in green: Sumitomo Chemical (Non-Consolidated)



## Evaluation of Environmental Protection Costs and Economic Effects through Environmental Accounting

Sumitomo Chemical continuously gathers and evaluates data on environment-related expenses, investments, and economic results in line with the Company's environmental accounting system introduced in fiscal 2000.

### ◆ Items Pertaining to Environmental Accounting

(1)Period: April 1, 2013 to March 31, 2014

(2)Scope: Sumitomo Chemical and 17 major consolidated subsidiaries (12 in Japan and 5 outside Japan)\*13

(3)Composition (Classification): Based on Ministry of the Environment (Japan) guidelines

(4)Independent assurance: Conducted by KPMG AZSA Sustainability Co., Ltd.

(5)Outline of the results (investment and expenses): Consolidated investment and expenses decreased by 2.2 billion yen and increased by 1.4 billion yen, respectively.

\* 13. 17 major consolidated subsidiaries: Sumitomo Dainippon Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumitomo Joint Electric Power Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika-Kakoushi Co., Ltd.; Nihon Oxirane Co., Ltd.; Sumika Agrotech Co., Ltd.; Dongwoo Fine-Chem Co., Ltd.; Sumitomo Chemical Singapore Pte. Ltd. The Polyolefin Company (Singapore) Pte. Ltd.; Sumika Technology Co., Ltd.; and Sumika Electronic Materials (Wuxi) Co., Ltd.

## Environmental Protection Cost\*

Classification	Details of Major Initiatives	Fiscal 2012				Fiscal 2013			
		Non-Consolidated	Non-Consolidated	Consolidated	Consolidated	Non-Consolidated	Non-Consolidated	Consolidated	Consolidated
		Investment	Expenses	Investment	Expenses	Investment	Expenses	Investment	Expenses
Business Area Costs		36	176	54	274	23	199	32	302
Pollution Prevention Costs	Prevention of air pollution, water pollution, soil contamination, noise pollution, odors, ground subsidence, etc.	(20)	(125)	(31)	(162)	(14)	(141)	(20)	(181)
Global Environmental Protection Costs*14	Energy saving, prevention of global warming, ozone layer depletion, and other measures	(13)	(2)	(16)	(33)	(5)	(4)	(8)	(35)
Resource Recycling	Resource saving, water saving and rainwater usage, waste reduction/disposal treatment, recycling, etc.	(4)	(48)	(8)	(79)	(4)	(54)	(4)	(86)
Upstream/Downstream Costs	Green purchasing, recycling, recovery, remanufacturing and appropriate treatment of products, recycling costs associated with containers and packaging, environmentally friendly products and services, etc.	0	0	0	3	0	0	0	3
Administrative Costs	Costs associated with environmental education, environmental management systems, the monitoring and measuring of the environmental impact of business activities and products, environmental organization operations, etc.	0	6	0	11	0	6	0	12
R&D Costs	Development of products with attention to environmental safety, research into energy-saving processes, etc.	0	79	0	79	0	67	0	68
Social Activity Costs	Protection of the natural environment and enhancement of its scenic beauty and greenery, support for community initiatives aimed at environmental protection, support for environmental preservation groups, environment-related paid contributions and surcharges, etc.	0	5	0	7	0	4	0	7
Environmental Remediation Costs	Environmental rehabilitation of contaminated environments and other environmental damage, reserve funds to cover environmental recovery, etc.	0	3	0	3	0	0	0	0
Total		36	268	55	378	23	277	33	392

\*14. A portion of results for fiscal 2012 has been retroactively adjusted to enhance accuracy.

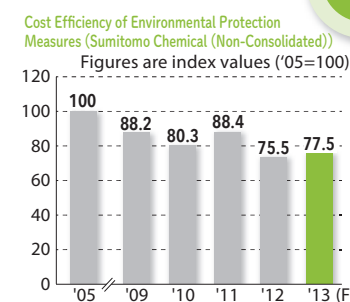
## Economic Effects\*

Results	(100 million yen)			
	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated
Reduced costs through energy saving	7	9	10	11
Reduced costs through resource saving	5	6	5	7
Reduced costs through recycling activities	29	31	36	37
Total	42	45	51	56

## Improving the Cost Efficiency of Environmental Protection

### TOPIC

In fiscal 2009, we began implementing measures to improve the cost efficiency of our environmental protection measures by making sure that all activities were as cost effective as possible. We will implement more effective measures by analyzing and studying the breakdown of our environmental protection costs and reviewing each item to determine its importance. We calculate the cost efficiency of our environmental protection as the ratio of annual total production value to total environmental protection costs, in order better to reflect actual production activities in the calculation.





## Fiscal 2013 Goals

- **Reduce unit CO<sub>2</sub> emissions from energy use**
  - Sumitomo Chemical (non-consolidated): Reduce by 15% relative to fiscal 2005 by fiscal 2020
  - Group companies in Japan: Reduce by 5% relative to fiscal 2010 by fiscal 2015
  - Group companies overseas: Reduce by 7.9% relative to fiscal 2010 by fiscal 2015
- **Improve unit energy consumption**
  - Sumitomo Chemical (non-consolidated): Improve by 10% relative to fiscal 2005 by fiscal 2020
  - Group companies in Japan: Improve by 5% relative to fiscal 2010 by fiscal 2015
  - Group companies overseas: Improve by 7.7% relative to fiscal 2010 by fiscal 2015
- **Improve unit energy consumption in the logistics division**
  - Sumitomo Chemical (non-consolidated\*1): Improve by an annual average of 1% or more relative to the fiscal 2006 standard

## Fiscal 2013 Results

- **Reduce unit CO<sub>2</sub> emissions from energy use**
  - Sumitomo Chemical (non-consolidated): Reduced by 7.8% relative to fiscal 2005
  - Group companies in Japan: Reduced by 0.3% relative to fiscal 2010
  - Group companies overseas: Reduced by 5.7% relative to fiscal 2010
- **Improve unit energy consumption**
  - Sumitomo Chemical (non-consolidated): Improved by 5.8% relative to fiscal 2005
  - Group companies in Japan: Improved by 2.5% relative to fiscal 2010
  - Group companies overseas: Improved by 5.6% relative to fiscal 2010
- **Improve unit energy consumption in the logistics division**
  - Sumitomo Chemical (non-consolidated\*1): Improved by an annual average of 0.5% relative to the fiscal 2006 standard

## Evaluation

○ Goal not achieved  
△ Goal achieved or steadily progressing  
○ Goal not achieved

## Fiscal 2014 Goals

- **Reduce unit CO<sub>2</sub> emissions from energy use**
  - Sumitomo Chemical (non-consolidated) and Group companies work toward achieving fiscal 2015 goals and implement initiatives aimed at improving energy efficiency and promoting low carbon energy sources.
- **Improve unit energy consumption**
  - Sumitomo Chemical (non-consolidated) and Group companies work toward achieving fiscal 2015 goals and implement initiatives aimed at improving energy efficiency.
- **Improve unit energy consumption in the logistics division**
  - Sumitomo Chemical (non-consolidated\*1): Aim to improve by an annual average of 1% or more relative to the fiscal 2006 standard, and improve energy efficiency

\*1 Specified shippers according to the definition stipulated under the Act on the Rational Use of Energy

Goal achieved or steadily progressing: ○; Goal not achieved: △

## Basic Stance

Greenhouse gases (GHG) such as CO<sub>2</sub> emitted in large amounts into the atmosphere by increased human activity have an impact on the global environment and are a cause of concern for causing massive climate change on an unprecedented scale. Sumitomo Chemical recognizes this problem as a serious and major risk and positions it as a priority effort to preserve the environment. From both a business and management perspective, Sumitomo Chemical constantly works to restrict emissions of greenhouse gases in order to realize a low-carbon society. Specifically, Sumitomo Chemical promotes measures to reduce emissions of greenhouse gases from the source and thoroughly save energy at its works, with the aim of increasing the degree that usage (consumption) of its products contributes to the reduction of greenhouse gas emissions.

## Summary of Activities

At our works, we formulate specific annual, medium-term and long-term targets for saving energy and reducing GHG emissions, and enact measures to achieve these targets. Our targets require a broad scope of measures ranging from improved operation methods to the deployment of high-efficiency machinery and equipment, improved waste heat recovery, process rationalization, and alternative fuels.

At our office locations, we take a systematic approach to energy saving, such as by reducing the energy used in air conditioning systems by installing high-efficiency absorption-type coolers, replacing lighting with more energy efficient types, only turning on every other light, and installing motion sensors that turn off lights when not in use.

## Status of CO<sub>2</sub> Emissions by Scope (Sumitomo Chemical (Non-Consolidated))

Category classification	Emissions (10,000 t-CO <sub>2</sub> /year)
Scope 1 (direct emissions)*	239.7
Scope 2 (indirect emissions from energy use)*	93.7
Scope 3 (other indirect emissions, upstream and use of sold products)	263.1

## Converting Combustion Ash into Fuel Chiba Works

At Sumitomo Chemical's Chiba Works, there are a total of nine boilers to supply electricity and steam. Of these, the Sodegaura II District boiler uses petroleum coke (PC) as a solid fuel that is normally difficult to burn, and a large volume of combustion ash containing unburnable materials was generated by this boiler. Previously, all of this combustion ash was processed and reused externally. With the aim of effectively using this combustion ash, in February 2013, Sumitomo Chemical installed equipment that separates out only the unburnable materials from the combustion ash and converts it into fuel. As a result, starting in fiscal 2014, we are able to reduce the procurement of fuel PC by about 8% annually, which we expect to reduce CO<sub>2</sub> emissions by around 25,000 tonnes per year. We plan to continue making efforts to save energy in the future at Chiba Works, which consumes large quantities of energy and generates a large volume of CO<sub>2</sub> emissions to power operations.

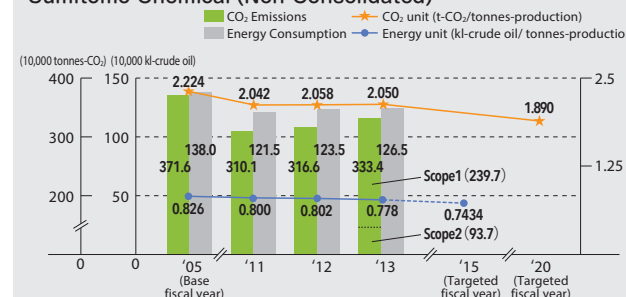


Sodegaura II District boiler

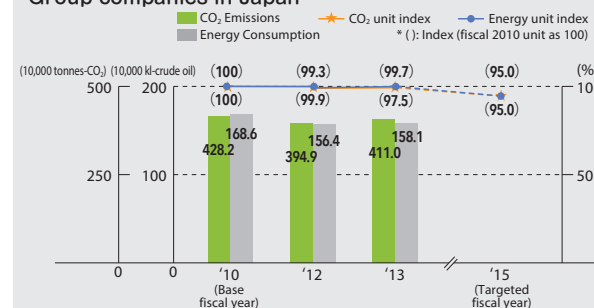
TOPIC

## Trends in Energy Consumption, Unit Energy Consumption, CO<sub>2</sub> Emissions from Energy Use, and Corresponding Unit Emissions

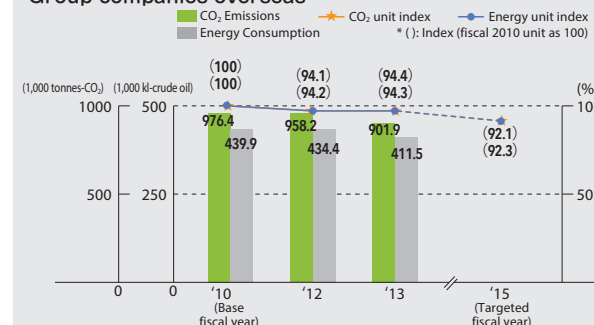
### Sumitomo Chemical (Non-Consolidated)\*2



### Group companies in Japan\*2



### Group companies overseas



\*2 Since fiscal 2012, energy consumption (crude oil equivalent; unit kl) has been calculated using methods based on the Act on the Rational Use of Energy, and CO<sub>2</sub> emissions from energy use has been calculated using the greenhouse gas emission calculation, reporting and disclosure system based on the Act on Promotion of Global Warming Countermeasures. Sumitomo chemical has applied these calculation methods retroactively to previous fiscal years and prior year figures have been recalculated.

## Sumitomo Chemical Recognized by CDP as Climate Change Disclosure Leader

For the second consecutive year, Sumitomo Chemical has been highly commended by CDP, an international not-for-profit organization, for its excellent approach to the disclosure of climate change information, and was featured in CDP's "Climate Disclosure Leadership Index" in November 2013.

Of the 500 Japanese companies surveyed, Sumitomo Chemical is the only one among diversified chemical companies to have been selected for the Climate Disclosure Leadership Index, with the highest score in the materials sector.



## Initiatives at Dongwoo Fine-Chem Co., Ltd. to Reduce Greenhouse Gas Emissions

### Byongsu Ko

(Dispatched from Dongwoo Fine-Chem Co., Ltd.)  
RC Office (environment and safety) and the Energy & Climate Change Office at the Head Office (Tokyo)

South Korea is not registered as a country in Annex I of the Kyoto Protocol, but in fiscal 2010 the government enacted a basic law concerning low carbon green growth, declaring a target to reduce greenhouse gas emissions by 30% by 2020 compared with business as usual (BAU) levels. To help the country meet this target for reducing greenhouse gas emissions, Dongwoo Fine-Chem Co., Ltd. continues to aggressively invest in improving processes, recovering waste heat by recycling wastewater, LED lighting and other energy-saving equipment. To increase the motivation of all employees to save energy, the company solicited examples of how employees save energy at home and held events such as slogan and poster creation contests. These initiatives were recognized by the Korean government with the Excellent Performance Award for Targeting Reductions in Greenhouse Gases. The company was designated as a green company. Dongwoo Fine-Chem Co., Ltd. will work towards achieving its vision\*3 while continuing to implement measures to reduce greenhouse gas emissions.

\*3 Dongwoo Fine-Chem Co., Ltd.'s vision: Dongwoo Fine-Chem will be your best partner in the electronics, energy and environmental fields through innovations in technologies, organization and profits.

## Okayama Plant Installs Compact Once-Through Boilers and Converts to LNG for Fuel

Sumitomo Chemical's Okayama Plant completed the construction of LNG satellite facilities in January 2014 and began supplying LNG to newly installed compact once-through boilers in February 2014. We expect the higher boiler efficiency and switch in fuel types from Bunker A to LNG to reduce annual energy consumption by 200 kl of crude oil equivalent and CO<sub>2</sub> emissions by 1,900 tonnes. We plan to convert to LNG as a combustion improver used in liquid waste incineration facilities in order to further reduce CO<sub>2</sub> emissions.



LNG satellite facilities



Compact once-through boilers

TOPIC



Promoting Afforestation in Developing Countries by  
Investing in the BioCarbon Fund at the World Bank

## TOPIC

Sumitomo Chemical finances afforestation projects in developing countries and poverty-stricken countries through the BioCarbon Fund\*1 at the World Bank. These projects are geared to contribute to the restoration of abandoned land, conservation of water resources, biodiversity conservation, and reduction of greenhouse gases.

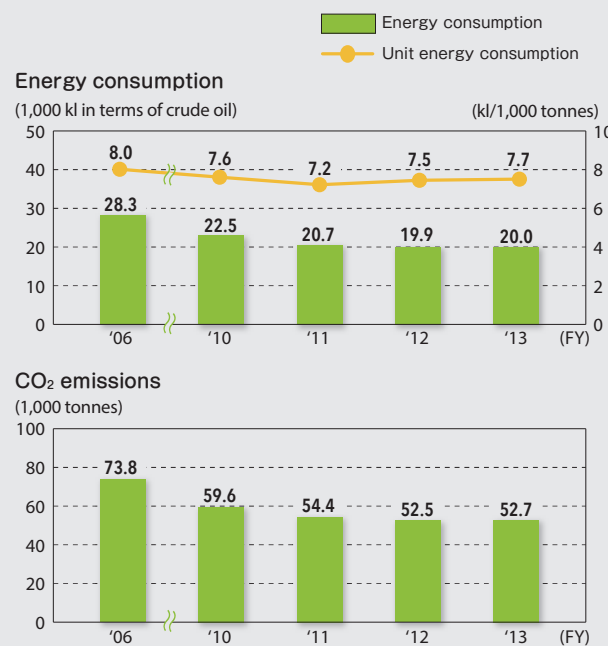
Since participating for the first time in 2005, Sumitomo Chemical has been involved in multiple afforestation projects, which have led to a combined total of 120,000 tonnes in reductions in CO<sub>2</sub> emissions.

\*1 BioCarbon Fund: This fund was established by the World Bank to finance projects to plant trees and preserve forests with the objective of acquiring CO<sub>2</sub> credits (emissions rights issued based on the volume of CO<sub>2</sub> reduced or absorbed as a result of projects designed to reduce greenhouse gases).

## ● Logistics Initiatives

## ● Promoting green logistics

Sumitomo Chemical continues to implement measures to increase the rate of transportation by rail and ship instead of trucks and to increase the size of transport containers (modal shift). For example, when working with a new customer for the first time, we discuss ways to prioritize transportation by rail and ship. In 2013, we began the efficient transportation of tank containers full of liquid chemicals by railway connecting the Chiba Works to our customer's base in Ishikawa Prefecture. In addition, transportation of some products from Chiba Works to Fukuoka Prefecture and from Ohe Works to Niigata Prefecture was switched from truck to rail transportation. We aim for our logistics operations to be easy on the global environment and explore our options on a daily basis.

Reduction of Environmental Impact in Logistics  
Operations (Sumitomo Chemical  
(Non-Consolidated))\*

\* Boundary: specified consignors based on the Act on the Rational Use of Energy

## ● Unit energy consumption

In fiscal 2013, unit energy consumption worsened by 4.0% compared with fiscal 2012 owing to changes in products sold and transportation destinations. We aim to improve unit energy consumption by 1% or more by promoting modal shift.

## ● Eco Rail Mark Product Certification Obtained

In September 2013, Sumitomo Chemical obtained Eco Rail Mark\*2 certification for five products,\*3 including low density polyethylene. The Eco Rail Mark certification system introduced by the Ministry of Land, Infrastructure, Transport and Tourism designates product and companies that use a certain degree of railway transportation that is easy on the global environment due to its low CO<sub>2</sub> emissions. The Eco Rail Mark is displayed on product packaging, catalogs, advertisements and environmental reports to educate consumers that this company has satisfied certain standards for contributing to solving global environmental problems through its logistics operations. Sumitomo Chemical was designated as an Eco Rail Mark company in 2009, and received product certification for the first time in fiscal 2013.

\*2 Eco Rail Mark



\*3 Certified products:

- Low-density polyethylene Sumikasen
- Polypropylene Sumitomo Noblen™
- Ethylene vinyl acetate emulsion Sumika Flex™
- Resin processed stabilizer SumiriserGP™
- Feed additive methionine Sumimeth™

## ● Current Issues and Future Plans

Through the Japan Chemical Industry Association, Sumitomo Chemical participates in the Keidanren's Commitment to a Low-Carbon Society. To achieve the greenhouse gas reduction targets in this commitment, the Sumitomo Chemical Group has positioned as the highest priority the attainment of reduction targets for each production division. In addition to these initiatives as a foundation, Sumitomo Chemical will collaborate with other companies that form its supply chain to promote the efficient reduction of greenhouse gases throughout the entire supply chain. Sumitomo Chemical will also concentrate on the development of technologies and products that help reduce greenhouse gas emissions.

## Fiscal 2013 Goals

- Reduction in the amount of industrial waste sent to landfills  
Sumitomo Chemical (non-consolidated): Reduce landfill disposal amount by 80% relative to fiscal 2000 by fiscal 2015  
Group companies in Japan: Reduce landfill disposal amount by 11% relative to fiscal 2010 by fiscal 2015
- PCB waste  
• Work toward appropriate storage and recovery of waste containing high concentrations\*4 of PCBs and complete\*5 PCB waste treatment by March 2014  
• Work toward appropriate storage and recovery of waste containing minute amounts\*6 of PCBs and complete PCB waste treatment by March 2025

## Fiscal 2013 Results

- Reduction in the amount of industrial waste sent to landfills  
Sumitomo Chemical (non-consolidated): Reduced by 86.9% relative to the fiscal 2000 Level  
Group companies in Japan: Reduced by 40.6% relative to the fiscal 2010 level
- PCB waste  
• Largely completed the treatment of waste containing high concentrations of PCBs (excluding certain factories and equipment); continued to promote the storage and recovery of untreated waste  
• Implemented the treatment of waste containing minute amounts of PCBs at certain factories; continued to promote the storage and recovery of untreated waste

## Evaluation

## Fiscal 2014 Goals

- Reduction in the amount of industrial waste sent to landfills  
Sumitomo Chemical (non-consolidated) and Group companies in Japan: work toward achieving fiscal 2015 goals; implement measures aimed at securing definitive reductions in the amount of landfill disposal
- PCB waste  
• Work toward appropriate storage and recovery of waste containing high concentrations of PCBs and complete PCB waste treatment at an early stage  
• Work toward appropriate storage and recovery of waste containing minute amounts of PCBs and complete PCB waste treatment by March 2025

Goal achieved or steadily progressing: ○; Goal not achieved: △

\*4. High concentrations of polychlorinated biphenyl (PCB) intentionally used as insulation oil in such items as electric appliances

\*5. Take into consideration delays caused by circumstances confronting treatment companies

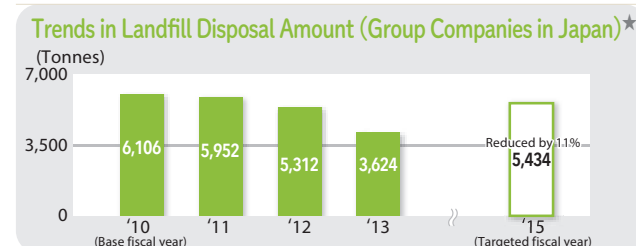
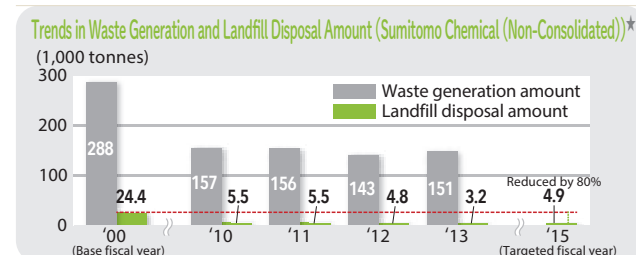
\*6. Minute amounts of PCBs: PCBs unintentionally mixed in as insulation oil in such items as electric appliances (over 0.5mg/kg)

## ● Basic Stance

Sumitomo Chemical strives to reduce, reuse, and recycle waste and to reduce the landfill disposal amount in accordance with established numerical targets. In particular, the Company is looking to continue reducing and recycling sludge, which accounts for the majority of landfill waste volume, from a medium- to long-term perspective in accordance with Law for Promotion of Effective Utilization of Resources. In order to strengthen waste management, the Company focuses its efforts on operational systemization, promoting the use of electronic tools including manifests, and conducting on-site inspections of external parties commissioned to undertake the treatment of waste.

## ● Summary of Activities

In fiscal 2013, both the Company on a non-consolidated basis and Group companies in Japan continuously reduced the landfill disposal amount by promoting the recycling of sludge, including burnt residue as well as soot and dust, as raw materials used in cement and base course materials for roads. For PCB waste as well, Sumitomo Chemical is engaging in systematic treatment activities and is taking steps to appropriately collect untreated waste, which



\*Assured by an independent assurance provider

is then stored in designated facilities. Through these means, every effort is made to ensure ongoing stringent management. In accordance with the Basel Convention, the Company did not transport, import, export or dispose of hazardous waste.

Awarded the Fiscal 2013 Waste Reduction  
Excellence Mark and Certification of Appreciation

Osaka Works, Utajima Region (currently Oita Works, Utajima Region)

Osaka City presents certificates of appreciation for outstanding achievements in the reduction and appropriate disposal of business waste at large buildings. The Osaka Works was awarded the Osaka City's Environment Agency Chief's Certificate of Appreciation in 2008 and on November 2013 received a certificate of appreciation from the Mayor of Osaka in recognition of its continuous efforts over the past five years to significantly reduce general waste from business activities. The Osaka Works was also awarded a certificate of appreciation from the Environment Agency chief for its successful initiatives to continuously reduce waste volume in the Utajima region. This shows the unified efforts of all Osaka Works and Utajima employees to separate and reduce waste. Going forward, we will actively promote the ongoing use of the 3Rs (Reduce, Reuse, Recycle).



Contributions through Systems That Improve  
Productivity and Reduce Environmental Impact

**Yasuhiko Murota**  
Manager of the Eco Solution Group  
Panasonic Environmental Technology Solutions Co., Ltd.

The PBasis waste emissions visualization legal compliance management system—which was built based on the Panasonic Group's experience and knowhow—is being used to strengthen compliance and environmental management activities being promoted throughout the Sumitomo Chemical Group. PBasis enables the uniform management and visualization of all information on waste materials by ascertaining waste emissions volume, types, costs, and disposal methods at each facility. In so doing, we think PBasis is significantly contributing to on-site inspection efficiency improvements and landfill disposal amount reductions as well as compliance and governance.

Looking ahead, we will promote the evolution of PBasis by integrating Sumitomo Chemical's management knowhow and experience into Panasonic Environmental Technology Solutions' systems, expanding its functions, and improving usability.



## Fiscal 2013 Goals

- **Prevention of air and water pollution**  
Sumitomo Chemical (non-consolidated):  
Work to maintain and continue levels below our voluntary management criteria\*1
- **Water resources**  
Sumitomo Chemical (non-consolidated):  
Improve the unit water usage by 9% relative to fiscal 2010 by fiscal 2015  
Group companies overseas: Improve the unit water usage by 11.5% relative to fiscal 2010 by fiscal 2015
- **PRTR**  
Sumitomo Chemical (non-consolidated):  
Reduce total emissions of air and water pollutants by 60% relative to fiscal 2008 by fiscal 2015  
Group companies in Japan: Reduce total emissions of air and water pollutants by 17% relative to fiscal 2010 by fiscal 2015
- **VOC**  
Sumitomo Chemical (non-consolidated):  
Maintain VOC emissions reductions at 30% relative to fiscal 2000
- **Prevention of soil and groundwater contamination**  
Sumitomo Chemical (non-consolidated)/  
Group: Keep hazardous materials strictly within Company premises\*2
- **Prevention of ozone layer depletion**  
Sumitomo Chemical (non-consolidated)/  
Group: Eliminate the use of refrigeration units that use CFCs as coolants by fiscal 2025
- **Biodiversity**  
Sumitomo Chemical (non-consolidated):  
Ensure compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity"

## Fiscal 2013 Results

- **Prevention of air and water pollution**  
Sumitomo Chemical (non-consolidated):  
Three incidents of pollution exceeding regulatory limits\*3; causes have been investigated and countermeasures implemented in all cases
- **Water resources**  
Sumitomo Chemical (non-consolidated):  
Unit water usage increased by 1.8% relative to fiscal 2010  
Group companies overseas: Unit water usage increased by 2.1% relative to fiscal 2010
- **PRTR**  
Sumitomo Chemical (non-consolidated):  
Reduced emissions by 86.0% relative to fiscal 2008  
Group companies in Japan: Reduced emissions by 31.4% relative to fiscal 2010
- **VOC**  
Sumitomo Chemical (non-consolidated):  
Reduced emissions by 54.7% relative to fiscal 2000
- **Prevention of soil and groundwater contamination**  
Sumitomo Chemical (non-consolidated)/  
Group: Kept hazardous materials strictly within Company premises
- **Prevention of ozone layer depletion**  
Sumitomo Chemical (non-consolidated)/  
Group: Systematically replaced refrigeration units that use CFCs as coolants
- **Biodiversity**  
Sumitomo Chemical (non-consolidated):  
Ensured compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity" and promoted detailed initiatives

## Evaluation

- △
- △
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## Fiscal 2014 Goals

- **Prevention of air and water pollution**  
Sumitomo Chemical (non-consolidated):  
Work to maintain and continue levels below our voluntary management criteria
- **Water resources**  
Sumitomo Chemical (non-consolidated):  
Improve the unit water usage by 9% relative to fiscal 2010 by fiscal 2015  
Group companies overseas: Improve the unit water usage by 11.5% relative to fiscal 2010 by fiscal 2015
- **PRTR**  
Sumitomo Chemical (non-consolidated):  
Reduce total emissions of air and water pollutants by 60% relative to fiscal 2008 by fiscal 2015  
Group companies in Japan: Reduce total emissions of air and water pollutants by 17% relative to fiscal 2010 by fiscal 2015
- **VOC**  
Sumitomo Chemical (non-consolidated):  
Maintain VOC emissions reductions at 30% relative to fiscal 2000
- **Prevention of soil and groundwater contamination**  
Sumitomo Chemical (non-consolidated)/  
Group: Keep hazardous materials strictly within Company premises
- **Prevention of ozone layer depletion**  
Sumitomo Chemical (non-consolidated)/  
Group: Eliminate the use of refrigeration units that use CFCs as coolants by fiscal 2025  
Sumitomo Chemical (non-consolidated)/  
Group: Eliminate the use of refrigeration units that use HCFCs as coolants by fiscal 2045
- **Biodiversity**  
Sumitomo Chemical (non-consolidated):  
Ensure compliance with "Sumitomo Chemical's Commitment to the Conservation of Biodiversity"

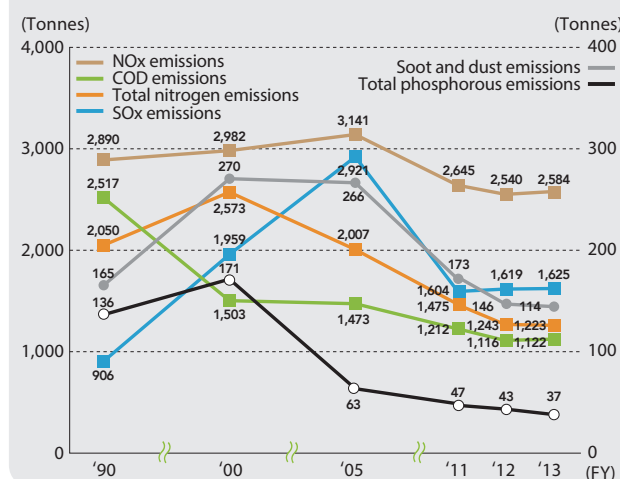
Goal achieved or steadily progressing: △; Goal not achieved: ○

\*1 Voluntary management criteria: Each Works collaborates with local authorities to reach agreements on standards that are stricter than relevant laws and regulations, and uses them as its own management benchmarks. \*2 Keep hazardous materials strictly within Company premises: Controlled on the premises. \*3 Two incidents at the Ehime Works (number of coliform group bacteria and concentration of 1,3-Dichloropropane exceeding regulatory standards released into drainage systems that flow into public water areas); one incident at the Okayama Plant (concentration of hydrogen chloride in gas emitted from submerged combustion facilities exceeding regulatory standards).

## Basic Stance

Sumitomo Chemical works to strengthen systematic technology- and equipment-related measures in advance of legal revisions. Against this backdrop, the Company not only strictly adheres to legal standards and levels of quality agreed on with local authorities regarding various chemical substance emissions into the atmosphere, water and soil, but also sets specific targets for each issue while instilling the concepts of environment risk management widely throughout the organization. Through these actions, the Company aims to further enhance environmental preservation. Sumitomo Chemical also aims to maintain its unshakable relationships of trust with the local community developed to date by closely listening to residents living close to business sites along with improving mutual communication. (Please refer to Hand in Hand with Local Communities and Society on page 58)

## Release of Pollutants into the Air and Water (Sumitomo Chemical (Non-Consolidated))★



Note: Aquatic environment discharge includes sewage discharge

## Environmental Pollution Prevention Initiatives

We are endeavoring to continuously reduce emissions of SOx, NOx, and soot and dust into the air, and of COD, nitrogen, and phosphorous into water bodies. Aiming to further improve the quality of life people in local communities, we systematically implement various measures when issues are identified by constantly monitoring important noise, vibration, odor, and light pollution problems.

### Strengthening Dust Countermeasures in the Ehime Works' Soda Recovery Boiler

TOPIC

The Ehime Works' soda recovery boiler produces the by-products steam and sodium carbonate through the incineration of effluent and waste oil discharged from the plant. Related plant production enhancements in recent years have increased incineration volume, making it necessary for accompanying dust-removal facilities to boost capacity. In autumn 2013, the Company completed construction of a new environmentally friendly facility and commenced operations. This new facility is intended to improve dust removal efficiency and reduce the concentration of dust emissions by adding a new wet dust collector to the latter section of existing dust-collection equipment. The new facility is currently maintaining stable operations, and we have confirmed that it has reduced the concentration of dust in gas emissions. The Ehime Works will work to continuously reduce environmental burden in order to further solidify its relationship of trust with the local community.



New soda recovery boiler facility

### Strengthening Plant Effluent Management Using Fish Monitors

VOICE



**Yukio Wakabayashi**  
Environmental Protection & Utilities Section  
No. 1 Manufacturing Dept. Oita Works

Purified water discharged from the Oita Works' manufacturing plants flows by river into Beppu Bay of the Seto Inland Sea. We continuously monitor the quality of treated water with automatic spectrometers as well as fish monitors, which is a method that involves monitoring fish raised in treated water. Control rooms observe fish monitors 24 hours a day, closing watching the movements of killifish and carp to determine if poisonous effluent is present. To continuously preserve the abundant fishing grounds of Beppu Bay, all members of the Environmental Protection & Utilities Section will work together to protect the environment by further reducing environmental burden through plant effluent monitoring.

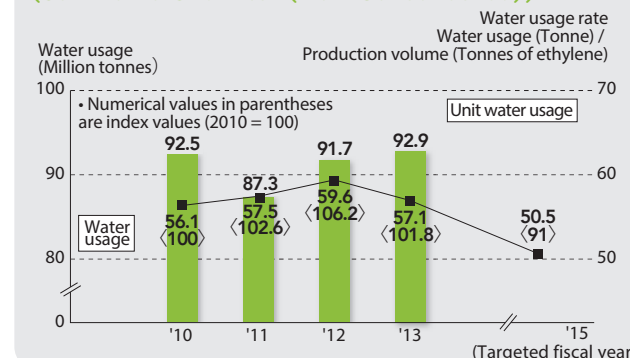


Observing the status of fish monitors

## Promoting the Effective Use of Water

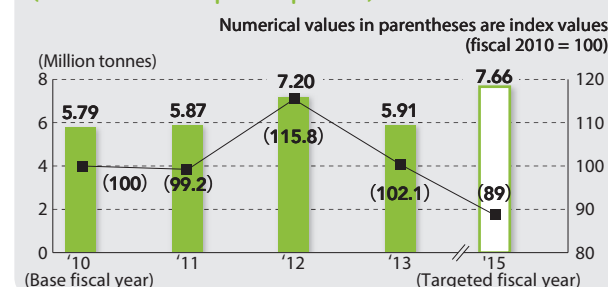
Reflecting the importance of managing water resources, we set and aim to achieve unit water usage improvement targets by examining the effective uses of water by each application.

### Water Usage and Unit Water Usage (Sumitomo Chemical (Non-Consolidated))★



Note: Does not include sea water

### Water Usage and Unit Water Usage (Overseas Group Companies)



Note: Includes sea water

### Effluent Treatment Facility Upgrading to Address Aging and Odor Issues

VOICE



**Kimiharu Nakamura**  
No. 5 Manufacturing Section  
Manufacturing Dept. Osaka Works

Upgrades have been made at the Osaka Works in response to odor problems and its aging effluent treatment facility, which treats effluent discharged from on-site manufacturing plants and laboratories. The upgraded facility has been equipped with lids to prevent the spread of unpleasant odors originating from effluent. We will work to improve the environment in consideration of the many people who live nearby.



Effluent neutralization tank before upgrading



Effluent neutralization tank after upgrading



## Addressing PRTR and VOCs

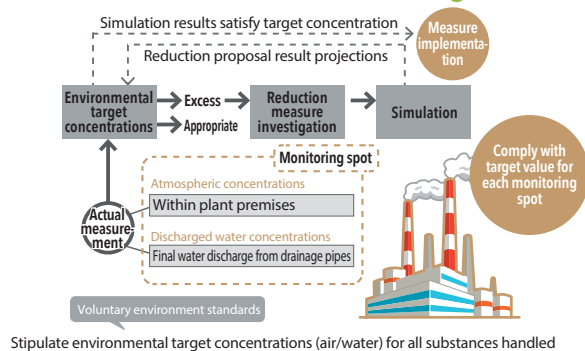
Sumitomo Chemical strictly manages risks associated with the PRTR<sup>\*1</sup> subject substances and VOCs<sup>\*2</sup> it handles, including substances newly added under the partial revision of the order for enforcement of the PRTR Act (November 2008), based on the environmental risks posed regardless of the amount emitted. Specifically, Sumitomo Chemical is reducing emissions of these substances by formulating and implementing emission reduction plans based on the results of risk assessments separated into atmospheric and aquatic environments. These risk assessments are compiled using monitoring and simulation data in line with voluntary environmental target concentrations<sup>\*3</sup> for each substance.

<sup>\*1</sup> PRTR system: A public system for measuring and reporting the release and transfer of chemical substances that may cause harm to people's health and biodiversity, based on data submitted to the national government and estimates of the national government. Under the system, corporations measure and report to the national government the volume of chemical substances released into the environment (atmosphere, water, soil) from its business sites and transferred off the premises of its business sites, such as in waste material. The PRTR system was introduced in April 2001. (Source: Ministry of Economy, Trade and Industry website)

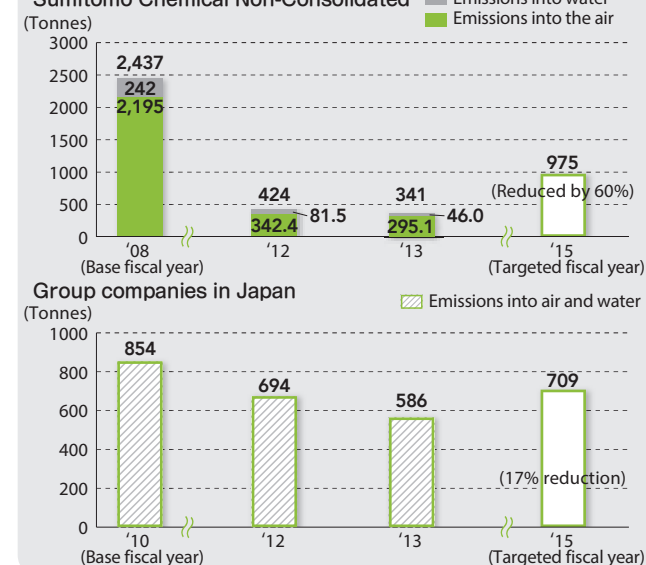
<sup>\*2</sup> Volatile Organic Compound (VOC): Organic chemicals that become vapor under ordinary atmospheric conditions. Examples include toluene, xylene, and ethyl acetate. (Source: Ministry of the Environment website)

<sup>\*3</sup> Voluntary environmental target concentrations: Voluntary management baselines used in management indicators, which Sumitomo Chemical sets independently based on reliable criteria from Japan, other countries, and overseas organizations, for atmospheric concentrations of substances within the premises of each plant as well as the concentration of final water discharge from plant drainage pipes.

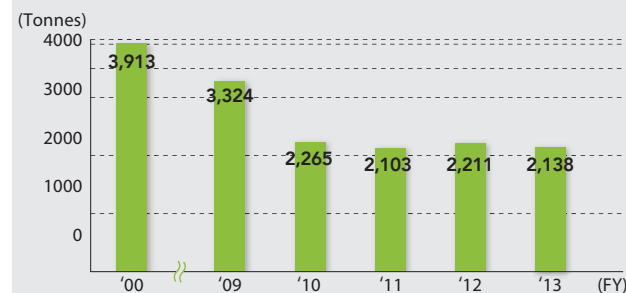
### Environmental risk-based risk management



### Trends in Emissions of Substances Subject to the PRTR Act<sup>★</sup>



### Measures to Reduce Volatile Organic Compound (VOC) Emissions (Sumitomo Chemical (Non-Consolidated))



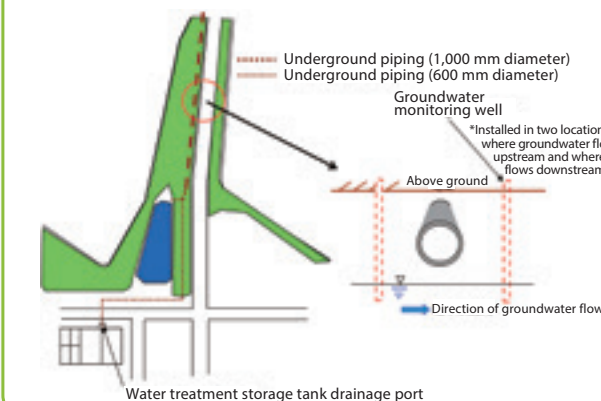
\*Revised to increase data calculation method accuracy for fiscal 2012

## Soil and Groundwater Contamination Prevention Initiatives

We have continued surveys and evaluations of soil contamination as well as remediation work on our land. We have also monitored groundwater close to our boundaries on a regular basis to confirm that levels of hazardous materials, including heavy metals and oils, are below those stipulated by environmental standards.

### Measures to Prevent Groundwater Contamination (Amended Facility Inspections Based on Water Pollution Control Act) at the Misawa Works

Effluent produced by the Misawa Works is discharged into the Pacific Ocean via underground piping. Following the revision of Water Pollution Control Act in June 2012, new structural standards were applied to underground piping. Conforming to these standards would require very costly and lengthy construction to lay and reconfigure underground piping. Therefore, as a result of various investigations of existing facilities where leakage detection is permitted, Sumitomo Chemical installed monitoring wells for upstream and downstream ground water between which underground piping is sandwiched in two locations close to junctions within the underground pipe structure where the possibility of leakage is highest. We also regularly monitor water quality to confirm whether or not leaks have occurred. Self-propelled video cameras are used during periodic maintenance conducted once a year to identify cracks or damage inside underground piping. Using these measures, we are taking painstaking efforts to prevent groundwater contamination.



## Prevention of Ozone Layer Depletion

Under the Vienna Convention, which seeks to protect the ozone layer, and the Montreal Protocol, which focuses on ozone layer-destroying substances, the production of CFCs and HCFCs is to be abolished and their use gradually reduced. Based on these international trends, Sumitomo Chemical is working to systematically upgrade its facilities over the medium- to long-term by targeting the complete elimination of refrigerating equipment using these fluorocarbons as refrigerants.

Management status of refrigerating equipment using fluorocarbons as refrigerants (Sumitomo Chemical (Non-Consolidated))<sup>★</sup>  
(As of July 2014)

Gas type	Number of units
CFC	18
HCFC	139

## Biodiversity Conservation Initiatives

Sumitomo Chemical is a participant in the initiative for private engagement in biodiversity, "Japan Business and Biodiversity Partnership" launched at the Tenth Ordinary Meeting of the Conference of the Parties to the Convention of Biological Diversity (COP10) held in October 2010. The information shared through this partnership has improved our diversity preservation measures. In February 2011, the Company put in place "Sumitomo Chemical's Commitment to the Conservation of Biodiversity," decided on action guidelines to contribute to the preservation of biodiversity, and has taken steps to raise awareness in-house of the details of these initiatives. In the Strategic Plan for Biodiversity 2011–2020 (Aichi Biodiversity Targets), 20 separate targets for fiscal 2020 have been formulated. Of these, the most closely associated with the Company's operations are Target 1 and Target 4. Target 1 states: "By 2020, at the latest, people are aware of the values of biodiversity and the steps they can take to conserve and use it sustainably." Target 4 states: "By 2020, at the latest, Governments, business and stakeholders at all levels have taken steps to achieve or have implemented plans for sustainable production and consumption and have kept the impacts of use of natural resources well within safe ecological limits." Through its main business, Sumitomo Chemical is undertaking a variety of actions to achieve these targets.

### Sumitomo Chemical's Commitment to the Conservation of Biodiversity

1. We position the conservation of biodiversity as one of our most important management issues and strive to help protect the global environment.
2. We work to continuously reduce environmental impact in our production operations and our development and supply of products and services and in cooperation with third parties in the supply chain and thereby contribute to the conservation of biodiversity.
3. By regularly implementing education programs, we ensure that employees fully recognize and understand the importance of biodiversity and promote our commitment to its conservation.
4. We continuously engage in corporate social responsibility activities that contribute to environmental protection and lead to greater trust and confidence from society.
5. We disclose the results of these efforts and maintain effective communication with the general public.

## Example Activities

- Developing Green Processes, Clean Products
- Recycling resources, promoting the 3Rs, improving energy efficiency
- Undertaking thorough environmental impact assessments at the planning stage for new plant construction and expansion and implementing countermeasures
- Complying with safety management regulations pertaining to the use of genetically modified organisms
- Prioritizing procurement of raw and packaging materials from suppliers that maintain strict CSR policies
- Providing environmental education in partnership with schools

## Mangrove Planting Activities in Thailand

In an effort to prevent global warming and preserve biodiversity, the Sumitomo Chemical Group and the Sumitomo Chemical labor union have been conducting tree planting activities in cooperation with the Organization for Industrial, Spiritual, and Cultural Advancement-International (OISCA) in Ranong Province in Southern Thailand since 2008. Mangrove trees are able to absorb and store CO<sub>2</sub> in their trunks and leaves, which is over 30% greater than other varieties of tropical rainforest trees, as well as provide a habitat for various living organisms. The project is part of the OISCA "Community Forest Restoration Project," and operations in support areas are managed by local Thai residents under the "Sumitomo Chemical Forest" banner. Each year, the Sumitomo Chemical Group sends employee volunteers to these regions to participate in mangrove planting activities together with local residents. In fiscal 2013, the Sumitomo Chemical Forest was extended to 145 hectares, with approximately 428,000 mangroves planted. It is estimated that 400,000 mangroves can fix around 50 tonnes of CO<sub>2</sub> per year.<sup>\*4</sup>

<sup>\*4</sup> Estimates based on Central Research Institute of Electric Power Industry report (report No. V08029)  
<http://criepi.denken.or.jp/jp/kenkikaku/report/leaflet/V08029.pdf>

## Current Issues and Future Plans

The situation surrounding measures to prevent environmental pollution is undergoing significant changes. This reflects diversifying and deepening environmental problems, including climatic changes, biodiversity preservation issues, and ozone layer depletion, the impact of which is being felt on a global scale. Aiming to help people live healthier, the Sumitomo Chemical Group will work to further reduce environmental burdens by implementing even better risk management, adhering to domestic and overseas regulations, and maintaining the best mix of voluntary initiatives for protecting the atmosphere, water, and soil.



## Hand in Hand with Customers

GRI Index | 4.16 | 4.17 | PR5 |

## Fiscal 2013 Goals

- Maintain and improve the customer service system
- Improve consultation service response capabilities, including at Group companies

## Fiscal 2013 Results

- Collected and shared materials for use in addressing questions from our customers
- Contacted external counseling firm to provide training for customer service personnel

## Evaluation

○ ○

## Fiscal 2014 Goals

- Improve the level of service provided by customer service personnel (including Group companies)
- Improve the dissemination of information, including through the Company's website

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● Basic Stance

Sumitomo Chemical is working to supply high-quality products and services throughout the Group that satisfy customers' needs and ensure safety in their use, and departments in charge of sales and quality assurance provide support tailored to products and specific details.

Sumitomo Chemical operates a product quality information management system that swiftly and accurately incorporates customers' complaints and requests regarding Company products into its quality assurance activities. Each business sector of the Company analyzes the information registered with the system and implements measures to prevent the occurrence of similar issues. Also, the Works, Research Laboratories, and sales personnel share information regarding customer complaints and requests for improvements in product quality, and this data is utilized to determine how the entire organization should respond to customers.

## ● Customer Consultation Services

## ● Customer Consultation Office

The customer consultation office of Sumitomo Chemical's Crop Protection Division celebrated its 14th anniversary this year. Listing the office's telephone number on crop chemical labels enables us to answer the questions of those working in the fields.

In order to satisfy customers, we are working to improve our abilities by inviting outside instructors to provide guidance on actually making diagnoses and giving instructions over the telephone. Agro Group company employees in charge of customer consultation are continuously undergoing training to improve their telephone skills. Through this type of training, we are working to increase the responsiveness and credibility of the Sumitomo Chemical Agro Group.

● Sumitomo Chemical *i-nouryoku* (Agricultural Abilities)

The Crop Protection Division operates Sumitomo Chemical *i-nouryoku*, a specialty agricultural support website aimed at providing information to customers, including introducing new crop chemicals and fertilizers, on a monthly basis. Updated regularly, we work to make Sumitomo Chemical *i-nouryoku* accurate and easily searchable. In addition, Agro Group companies have formulated the Crop Protection Chemical Safety and Proper Usage manual. Based on this, we commenced the first Crop Protection Chemical Safety Seminar in 2013 for *i-nouryoku* members. Those members who participated in the seminar gave it high marks for presenting information in a very easy-to-understand manner.

Sumitomo Chemical *i-nouryoku* URL

<http://www.i-nouryoku.com/> (Japanese language only)

Sumitomo Chemical *i-nouryoku*

## Consultation Service Personnel

**Yoshikazu Kuroda**  
General Manager  
Marketing Department  
Crop Protection Division

VOICE

Sumitomo Chemical's Crop Protection Division focuses on strengthening technical services, including those of Group companies. As a total solutions provider, this division not only promotes and sells crop chemicals and fertilizers, but also continues to proactively share all of the Company's proprietary agricultural technologies and information with farmers as well as looking for ways to further develop and invigorate Japan's agricultural industry. We will make every effort to address the numerous opinions and requests received via the customer consultation office to provide technologies that can contribute to agricultural production.

## ● Current Issues and Future Plans

By collecting information through close consultation with internal and external partners, and maintaining a proactive attitude when listening to our customers' opinions, Sumitomo Chemical remains committed to continuously providing products that satisfy the needs of its customers. Moreover, the company is expanding information disclosure as a matter of policy in order to provide our customers with vital information in the most appropriate manner.

## Hand in Hand with Business Partners

GRI Index | 4.11 | 4.16 | 4.17 | HR2 | HR5 | HR6 | HR7 |

## Fiscal 2013 Goals

- Bolster the CSR activities of business partners through responsible procurement

## Fiscal 2013 Results

- Bolstered the CSR activities of business partners by promoting responsible procurement utilizing monitoring and feedback
- Formulated and displayed on the Company website procurement policies that ban the use of conflict minerals

## Evaluation

○ ○

## Fiscal 2014 Goals

- Bolster the CSR activities of business partners through responsible procurement and revise the CSR Deployment Guidebook and Check Sheets to reflect the needs of society

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● Basic Stance

Regarding the purchase of raw materials and packaging materials, Sumitomo Chemical is committed to building sound mutual relations with business partners. In addition to ensuring fairness, equitability, and transparency in our transactions with business partners, we are also encouraging them to promote their CSR activities through our responsible procurement activities.

Sumitomo Chemical clearly states its basic principle of responsible procurement in the Company's Basic Procurement Principles. In addition, we clarify our stance toward and policy on responsible procurement in our Group Business Standards of Procurement, which provide guidelines for procurement operating activities for Group companies in Japan and overseas.

## Basic Procurement Principles

1. The Procurement Section shall strive to conduct procurement transactions on the basis of fair, equitable, transparent and free competition without involving personal interests or arbitrary considerations.
2. The Procurement Section shall strive to select suppliers to transact with in accordance with the most appropriate and economically rational methods and shall pursue the maintenance of sound business relationships with suppliers, aiming for mutual growth and development.
3. The Procurement Section shall strive to provide corporate services globally throughout the entire Group.
4. In its procurement, the Procurement Section shall give preference to those suppliers that are active in CSR initiatives, with the aim of fulfilling its corporate social responsibilities and building sound relationships with suppliers.
5. The Procurement Section shall strive always to meet quality requirements of Sumitomo Chemical's internal sections that request purchase of Goods and Services.
6. In performing Procurement Operations, the highest priority shall be given to safe and stable operations in order to realize zero-accident and zero-injury operations.
7. In performing Procurement Operations, the highest consideration shall be given to customer satisfaction.
8. The Procurement Section shall ensure the transparency of Procurement Operations.

## ● Responsible Procurement Activities

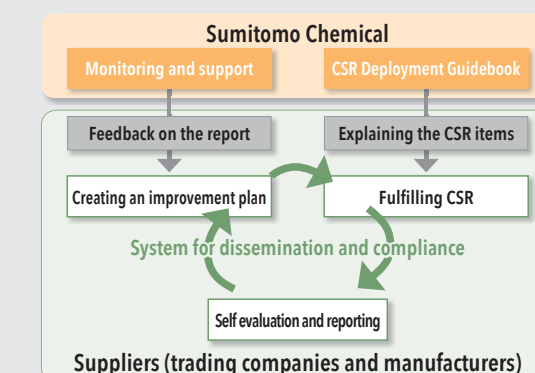
## ● Formulating and Using the CSR Deployment Guidebook and Check Sheets

Sumitomo Chemical has created the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook, which explains those CSR promotion items (legal compliance and ethics; human rights and labor; disaster prevention and occupational health and safety; environmental protection; and quality and product safety) that the Company asks suppliers to

follow. Moreover, Sumitomo Chemical has formulated the Sumitomo Chemical Supply-Chain CSR Deployment Check Sheets to enable suppliers to conduct self-evaluations regarding all items.

Sumitomo Chemical monitors the implementation of CSR measures by all new suppliers and by current suppliers, mainly those outside Japan, via the CSR Deployment Check Sheets, in collaboration with overseas subsidiaries. Based on the monitoring results, we provide feedback to suppliers who need to make improvements as well as support and promote supplier CSR activities, which include raising awareness of responsible procurement.

## System for Responsible Procurement



## ● Web Page on Procurement Information

Sumitomo Chemical has a responsible procurement section in its Procurement Information website linked from the Company's website in order to broadly inform its stakeholders about its responsible procurement initiatives. This responsible procurement web page allows suppliers to download the guidebook and check sheets and report the results of their self-evaluations.

## Procurement Information and "the Sumitomo Chemical Supply-Chain CSR Deployment Guidebook and Check Sheets" website:URL

[http://www.sumitomo-chem.co.jp/english/csr/society/business\\_partner/](http://www.sumitomo-chem.co.jp/english/csr/society/business_partner/)

## ● Current Issues and Future Plans

Utilizing our current framework, we will provide support for responsible procurement through a process of guidance and education, focusing on all new suppliers as well as current suppliers outside Japan. Going forward, we plan to revise the CSR Deployment Guidebook and Check Sheets to reflect the needs of society.



## Fiscal 2013 Goals

- Continue to expand information disclosure and promote interactive dialogue
- Provide prompt and precise support in response to disasters in Japan and overseas
- Continue to engage in support and recovery activities in areas affected by the Great East Japan Earthquake
- Promote social contribution activities across the entire Sumitomo Chemical Group

## Fiscal 2013 Results

- Engaged in diversified information disclosure and promoted interactive dialogue at each worksite
- Provided prompt support to those affected by natural disasters
- Continued to engage in support and recovery activities in areas affected by the Great East Japan Earthquake
- Continued working in unison across the Group to provide matching gifts and support afforestation activities in Thailand

## Evaluation



## Fiscal 2014 Goals

- Provide support to achieve United Nations Millennium Development Goals
- Provide prompt and precise support in response to emergencies and disasters in Japan and overseas
- Continue to engage in support and recovery activities in areas affected by the Great East Japan Earthquake by utilizing the unique characteristics of the Sumitomo Chemical Group
- Promote social contribution activities by leveraging the strengths of each workplace
- Continue to expand information disclosure and promote interactive dialogue

Goal achieved or steadily progressing: ○; Goal not achieved: △

## Basic Stance

Based on the concept of contributing to the sustainable development of society through its businesses, Sumitomo Chemical is committed to social contribution activities that are unique to the Company and encompass the three perspectives of coexistence with local communities, continued support for a sustainable society, and responsible business as a global company.

Sumitomo Chemical, its business sites in Japan and overseas, and Group companies engage in a variety of activities to meet the needs of local communities in order to build and maintain good relations with them.

## Donations

Sumitomo Chemical engages in donation-collection activities that reflect its comprehensive examination of factors such as social importance, need of continuity, and urgency.

In fiscal 2013, Sumitomo Chemical provided emergency assistance in the form of monetary donations and, depending on circumstances on the ground, relief supplies to victims of the Ya'an Earthquake in China and typhoon-ravaged areas of Izu Oshima and the Philippines.

We have also continued to donate Olyset™ Nets as an effective means to control malaria, assist areas affected by the Great East Japan Earthquake, and provide support for Africa. In fiscal 2013, we made a total of 409 donations, amounting to 410.19 million yen.

## Sumitomo Chemical's Social Contribution Activities

	Community Contribution	Future Contribution	Global Contribution
Securing safety and health, and protecting the environment	Plant and laboratory tours		Malaria prevention campaign, Donating Olyset™ Nets
	RC dialogues and distribution of local newsletters		Investment in the World Bank's BioCarbon Fund
			TABLE FOR TWO program
			Matching Gift program (support for tree-planting activities)
Raising children who will lead the next generation			Cooperation with U.N. activities
	Establishment of in-house childcare facilities		Educational support in Africa
	Launch of Young Inventors' Club, School Science Visits, etc.		University scholarship programs in China and Hungary
	Sponsorship of community sports events for children		
Assisting in natural disaster relief	Cooperation on civic and university courses		
	Acceptance of student interns		
	Matching Gift program (educational support for children)		
	Relief activities after typhoons and other disasters, Offering facilities for Public use after major disasters		Relief donations for victims of hurricanes, earthquakes, etc.

Major Donations Made in Fiscal 2013 (Sumitomo Chemical (Non-Consolidated))★  
(Unit: million yen)

Item	Amount
To support recovery activities in areas affected by the Ya'an Earthquake in China	41
To support schools in Tanzania and Senegal	15
To donate Olyset™ Nets to typhoon affected areas of the Philippines	14
To support the development and education of children through ASHINAGA	8
To support OISCA's tree planting activities	7

Donations Made in Fiscal 2013 (Sumitomo Chemical (Non-Consolidated))★  
(Unit: case)

Item	Number of cases
Local community activities	132
International exchange and cooperation	47
Sports	24
Education and social education	23
Social welfare	14
Support to areas devastated by disasters	11
Academic study and research	17
Culture and art	17
Environment	10
Health and medicine	2
Preservation of historic sites and traditional culture	2
Supporting an NPO foundation	2
Others	108
Total	409
Total amount	410.19 million yen

## Regional Safety and Communication

Sumitomo Chemical has put in place Group-wide policies regarding regional safety and communication and is endeavoring to bolster its activities in these fields. Among a host of initiatives, the Company is focusing on enhancing its information disclosure while engaging in interactive dialogue. Each company site formulates annual activity plans and conducts specific activities based on the aforementioned Group-wide policies. Taking into consideration feedback and requests received, considerable weight is also being placed on improving the aesthetic appeal of business sites.

## Annual Activity Plans

<b>Group-wide policies</b>	<ul style="list-style-type: none"> <li>Achieve stable operations and ensure regional safety</li> <li>Promote communication with society</li> </ul>
<b>Target</b>	<ul style="list-style-type: none"> <li>Visualize Responsible Care activities conducted at the sites and widely disclose related information</li> </ul>
<b>Specific initiatives</b>	<ul style="list-style-type: none"> <li>Enhance information disclosure Create site reports on the environment and safety, local newsletters, and the Sumitomo Chemical CSR REPORT</li> <li>Foster interactive dialogue Promote a range of risk communications</li> </ul>

Held the Oita Prefecture Responsible Care Regional Dialogue Meeting  
Oita Works

## TOPIC

The Oita Works holds the Responsible Care Regional Dialogue Meeting every two years along with 10 sponsor companies operating at the Oita Industrial Complex, inviting nearby residents and members of local governments to take part. The ninth such regional dialogue meeting was held in February 2014 and, despite being a holiday, drew 199 participants (including 115 local residents), the highest turnout yet.

On the day of the meeting, three large busses took participants on a tour of the Company's plant facilities. This was followed by a town hall-style discussion on the theme of earthquakes and tsunamis, which a previous questionnaire revealed to be a topic of great interest. Company employees took the podium during corporate presentations and panel discussions. Afterward, participants took part in a candid and spirited exchange of opinions on various topics.

This turned out to be a very productive regional dialogue, with participants led by the local government chairman mentioning that they admire the Company's consideration toward local communities and its environmental and disaster-prevention initiatives; feeling that Sumitomo Chemical is building a positive relationship with the local community. Others commented that they enjoyed the plant tour and were interested in the details of the corporate presentations.



Regional dialogue meeting



## Participating in the Oita Prefecture Responsible Care Regional Dialogue Meeting

## VOICE



## Hiromu Hanamiya

Certified weather forecaster,  
disaster prevention  
and environmental education advisor

Many local residents have participated in each of these regional dialogue meetings. A record number of participants took part in the ninth regional dialogue meeting, giving me the impression that environmental and disaster-prevention awareness among local residents is quite high. I gave the keynote speech entitled "Reflections on the earthquake and tsunami that struck Oita" and was a panelist during the panel discussions. For me this was an extremely meaningful gathering. I appreciate the efforts made by the corporate sponsors and look forward to Sumitomo Chemical's redoubled initiatives to raise the environmental and disaster-prevention awareness of local residents.

## Localized Information Disclosure and the Practice of Wide-Ranging Interactive Dialogue

Each worksite publishes its own environmental and safety report every year to report on its local activities in detail. The reports complement the Company's own CSR Report. In addition, each of the Ehime, Osaka and Oita worksites publishes local newsletters for the proactive distribution of area-specific information. These are often delivered to residents as newspaper inserts.

Moreover, each Works engages in a variety of risk communication and dialogue activities for various purposes. These include risk communication model projects carried out jointly with local governments, environment and safety support projects for domestic and overseas governments and businesses, regular meetings with local residents, and dialogues with the community based on cooperation with the chemical industry.

At the Company's head office, Sumitomo Chemical participates in a range of committee activities conducted by the national government and industrial associations as well as in industry government academia seminars and lectures to disseminate relevant information and exchange opinions in a timely manner. The overall aim is to help people deepen their understanding of Sumitomo Chemical and to win more trust from the public.

## Current Issues and Future Plans

The Sumitomo Chemical Group continues to engage in social contribution activities that are uniquely suited to its attributes. In this regard, the Group focuses on the three core areas of community contribution, future contribution and global contribution. In addition, each worksite and Group company places the utmost importance on interactive communication and dialogue in order to maintain the trust of local communities. Moving forward, the Sumitomo Chemical Group will promote a wide variety of initiatives taking into consideration regional safety and environmental concerns.



### ● Reconstruction Support to Areas Affected by the Great East Japan Earthquake

The Sumitomo Chemical Group supports the reconstruction of disaster-affected areas in Japan and overseas in a variety of ways. The Company is providing ongoing support to the areas affected by the Great East Japan Earthquake, for example by dispatching employee volunteers. Sumitomo Chemical will continue to support victims of the disaster return to a normal order of life and work toward a full recovery at the earliest opportunity. Moving forward, the Company will continue to engage in activities that match the needs of local communities.

### ● Continuation of Business-Related Support Activities Hakozaki Farm Created in Cooperation with Local Residents (Kamaishi City, Iwate Prefecture)

Hakozaki Farm is an allotment farm that Kamaishi City Council on Social Welfare has opened to the community. The council's goals are to broaden the leisure time options of people who have been forced to live in temporary housing for an extended period of time and to revitalize the community. The Company co-hosted opening and harvest events in June and October 2013, respectively, dispatched employee volunteers, and provided the necessary materials for the allotments. The Company uses vegetables such as tomatoes delivered from the allotments as ingredients in employee cafeterias, and the ongoing support is thus linked to the local residents.



Planting seeds with local residents



Vegetables harvested at farms are provided to employee cafeterias



### Dialogue Expected to Form Cornerstone of Reconstruction in Disaster-Affected Areas

**Koji Maekawa**  
Secretary-General  
Kamaishi City Council on Social Welfare  
(Social Welfare Corporation)

The city of Kamaishi in Iwate Prefecture suffered many casualties as a result of the Great East Japan Earthquake and, as has been the case in many of the disaster-affected areas, was also forced to rebuild its community by moving to temporary shelters and reconstruction assistance public housing. As one of the solutions to the problem, the Kamaishi City Council on Social Welfare tried to create places for people to stay in touch by working on the land and in agriculture and has been hosting public allotments at four locations within the city since fiscal 2013. What's wonderful about the volunteers from Sumitomo Chemical is, above all else, the respect they have for the community and the feeling that they are supporting the local residents through consistent organizational management. In disaster welfare circles we have a saying: "Disregard the mud to look out for the people." And I would like to just pay tribute to activities that respect the people who live here on a permanent basis. In the years to come, the disaster-affected areas will need the unique know-how and connections that companies possess. I expect Sumitomo Chemical's volunteer spirit, which emphasizes dialogue and putting words into action, to form the cornerstone of all reconstruction in the disaster-affected areas.

### VOICE

### ● Support for Agriculture in Tohoku Region: In Cooperation with Younger Generations Responsible for the Future

In November 2013, a Fukushima Next Generation Farmers Market was held at Shibuya Hikarie (Shibuya Ward, Tokyo) as an event in the Festival of Food, Agriculture, Forestry and Fisheries\*1 hosted by the Ministry of Agriculture, Forestry and Fisheries. The aim of the event was to support younger generations who will be responsible for agriculture in Fukushima in the years to come by providing students attending agricultural high schools in Fukushima Prefecture with an opportunity to sell agricultural products and processed products in Tokyo. On the day of the event, many customers and company employees from the general public visited the venue and were interested to hear the high school students' stories.

\*1 Hosted by the Ministry of Agriculture, Forestry and Fisheries under the concept of deepening the bonds between producer and consumer as well as between Japan and the world, the festival mainly takes place during the month of November. The festival forms an initiative that develops a variety of events relating to food as well as agriculture, forestry and fisheries.

### ● Fairs Continue to Support Disaster-Affected Areas:

#### Linking Employees with Tohoku

Sumitomo Chemical continues to hold fairs to sell agricultural, marine, and processed food from the Tohoku and Kanto regions. In fiscal 2013, fairs were held on a total of four occasions at the Osaka Head Office as well as the Osaka Works' Kasugade and Utajima areas.



The Fukushima Next Generation Farmers Market event



The fair held at the Head Office in Osaka

### "Tohoku and Kanto Support Meals:" Disaster Relief from Individual Employees

To provide a boost to people engaged in agriculture and fisheries in the Tohoku and Kanto regions, meals made using ingredients produced in the Tohoku and Kanto regions are served in our cafeterias across the Group's entire network in Japan. A donation component has also been introduced to each meal and menu with the Company contributing an equivalent amount. The resulting funds are donated every six months to such enterprises as a scholarship fund to support children who lost their parents in Iwate, Fukushima and Miyagi prefectures due to the 2011 tsunami.

In fiscal 2013, the proceeds from 71,715 meals resulted in a total of 4.13 million yen being donated to the Iwate Learning Hope Fund in September 2013 and the Great East Japan Earthquake Miyagi Children's Fund in March 2014. As an initiative in which even more employees will be able to participate, we plan to continue serving the "Tohoku and Kanto support meals."

### ● Support for Africa

#### ● Malaria Control Initiatives through Business

In Africa, particularly the Sub-Saharan region, people are facing a range of problems, including poverty, infectious diseases, and high death rates for pregnant women and infants. In response, the United Nations set the Millennium Development Goals (MDGs\*2) as immediate measures to solve the problems. Continuing to work toward solving these problems through its business operations, Sumitomo Chemical is providing its insecticidal mosquito net, Olyset™ Net\*3 for the prevention of malaria. In 2003, Sumitomo Chemical provided its Olyset™ Net manufacturing technology free of licensing fees to A to Z Textile Mills Limited, a local company in Tanzania, which commenced local production. In 2008, Vector Health International Ltd. was established as a joint-venture company with A to Z Textile Mills Limited, creating more jobs for local people and thereby contributing to the development of the local economy. In 2012, we established the Africa Technical Research Center in Tanzania, conducted research not only into mosquito nets but also into sprays and larvicides, and worked on a wide range of measures to combat infectious diseases.

In addition to its continued sponsorship of a malaria-related course at the Harvard School of Public Health (HSPH) in 2013, Sumitomo Chemical participated in the Harvard Malaria Forum, a symposium on the subject of malaria that was one of the events marking the centenary of the HSPH. Moreover, the Company is continuing to support the efforts of the NPO Malaria No More Japan and promoting a wide variety of malaria prevention initiatives.



Olyset™ Net

\*2 Millennium Development Goals (MDGs) represent the goals and action plans set by the United Nations with regard to eight issues, such as poverty, education, the environment and human rights, to be urgently implemented and achieved by 2015.

\*3 Olyset™ Net is a mosquito net made of polyethylene resin-based fibers containing insecticide. A mosquito net of superior durability, the insecticide is gradually released onto the surface of fibers, endowing Olyset™ Net with the beneficial feature of retaining its insecticidal efficacy for more than five years, even after repeated washing. The product therefore represents an economical and effective way of protecting people from malaria-carrying mosquitoes. In 2001, Olyset™ Net was recognized and recommended for use as the first Long-Lasting Insecticidal Net (LLIN) by the World Health Organization (WHO).

### TABLE FOR TWO Individual employee support for Africa

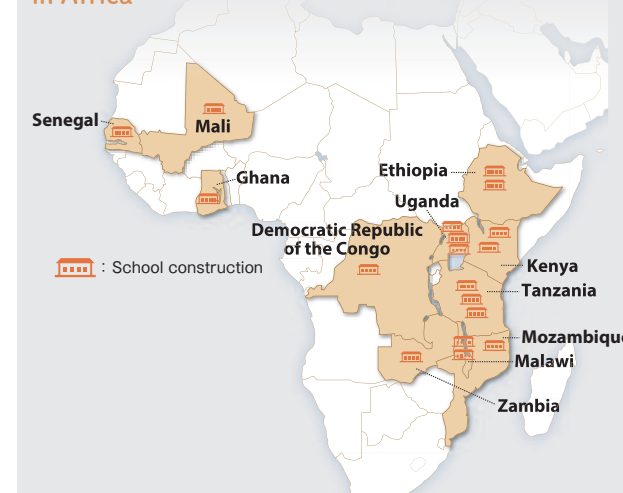
The TABLE FOR TWO (TFT) initiative, a social contribution activity that allows all employees to participate, was launched at cafeterias across the Company's operating network in May 2008. When employees choose to eat any of the designated meals, 20 yen per meal is donated to the TFT secretariat and the donation used to pay for a school lunch for one child in an African country. Furthermore, as a Matching Gift, the Company makes a donation to the TFT secretariat, matching employees' donations. In fiscal 2013, donations to this organization, from both employees and the Company, from 72,054 cafeteria meals totaled 2,882,160 yen.

### ● Educational Support for the Leaders of Tomorrow

Believing educational system improvements to be crucial for Africa to realize self-sustaining economic development, Sumitomo Chemical is cooperating with the NGOs World Vision Japan and Plan Japan in conducting educational support activities centered on the construction of primary and secondary school buildings and related facilities. By using a portion of the sales from the Olyset™ Net business, we have up to now completed 16 projects in 10 African countries with two more projects in progress as of March 2014.

As a member of the international community, Sumitomo Chemical will continue its proactive support for Africa.

### Sumitomo Chemical's Support for Education in Africa



Note: Including the two projects in progress as of March 2014.

### Participation in TICAD V-Related Event

### TOPIC

From June 1 to 3, 2013, the Fifth Tokyo International Conference on African Development (TICAD V)\*4 was held in Yokohama, Kanagawa Prefecture, where a variety of related events were staged to raise interest in Africa. At Sumitomo Chemical's African Fair 2013, the exhibits took the form of display panels positioned to raise malaria awareness and showcase Olyset™ Net. Three teams totaling 30 Company employees took part in the Sumitomo Chemical-sponsored RUN FOR AFRICA 2013 charity marathon.

\*4 TICAD is an international conference on the subject of African development. Held every five years since 1993, the conference is led by the Japanese government in cooperation with, for example, the United Nations, the United Nations Development Programme, committees from the African Union, and the World Bank.



The Sumitomo Chemical stand at African Fair 2013



### ● Social Contribution Activities in Japan

#### ● Science Workshop Classes Held

In order for the children who are responsible for the future to experience for themselves the wonders and appeal of science, the Company holds science workshop classes in a variety of forms to meet local needs. These include on-site science classes, for which instructors are dispatched to schools and other venues, and exhibits at local events. As activities that leverage the strengths of chemical manufacturers, these activities form one pillar of the social contribution activities of the Sumitomo Chemical Group.



Experiment exhibit using polarizers for the Children's Chemistry Experiment Show in Kobe sponsored by the Dream Chemistry 21 Committee. (Sumitomo Chemical Kansai Area)



An instructor from the Ichihara-Sodegaura Young Inventors' Club gives an on-site science class entitled "Pressure and Games!" (Chiba Works)



A summer vacation workshop class entitled "Shiny Straps" (Taoka Chemical Co., Ltd.)

#### ● Community Beautification Activities

As a member of local communities, the Company takes active part in regional clean-up events, such as cleanup activities around workplaces and beautification activities.



Cleaning up the neighborhood the day after the Niihama Taiko Drum Festival (in cooperation with affiliated companies in the Ohe area)



Planting flowers on the side of the road (Misawa Works)

#### ● Participation in and Cooperation with Local Events

As part of its interaction with local communities, the Company actively provides special sponsorship for and encourages the voluntary participation of employees in local festivals and events. When events are held in local communities, the Company helps by providing equipment.



Volunteers participating in Misawa Festival (Misawa Works)

#### ● Acceptance of Student Interns and Implementation of Work Experience Program

In addition to its aim of fostering career and work insights, the Company deepens people's knowledge of what it is like to work at a chemical manufacturer by accepting student interns from Japan and overseas and through the implementation of a workplace experience program offered to junior high and high school students.



Local junior high school students on work experience at the Kasai Experimental Farm (Health & Crop Sciences Research Laboratory)



Showcasing the work of researchers who formulate medicines at "Career Challenge Day 2013" (Sumitomo Dainippon Pharma Co., Ltd.)



Accepting student interns from a nearby junior high school (Osaka Works)

#### ● Promotion of Sports

In an effort to contribute to the healthy development of our youth and the promotion of regional sports, the Company hosts and sponsors a variety of sporting events.



The 23rd Tsurusaki Cup junior soccer competition (Oita Works)

### Sumitomo Chemical Group Matching Gift Program

In an integrated manner, the Sumitomo Chemical Group asks for donations from its employees and matches the amount collected. The total is then donated to the organizations selected as recipients. In fiscal 2013, the Group as a whole donated a total of 13,780,236 yen to support tree-planting activities and 16,680,088 yen in support of childcare and education.

#### ● Participating Group Companies

Asahi Chemical Co., Ltd.	Sumika Chemical Analysis Service, Ltd.
EGS Co., Ltd.	Sumika Lifetech Co., Ltd.*
Oita General Service Co., Ltd.	Sumika Logistics Co., Ltd.
Career Support Co., Ltd.	Sumitomo Chemical Garden Products Inc.
Ciatec, Ltd.	Sumitomo Chemical System Service Co., Ltd.
Sumika Assembly Techno Co., Ltd.	Sumitomo Chemical Intellectual Property Service, Ltd.
Sumika Alchem Co., Ltd.	Sumitomo Chemical Engineering Co., Ltd.
SC Environmental Science Co., Ltd.*	Ceratec Co., Ltd.
Sumika-Kakoushi Co., Ltd.	Chiba General Service Co., Ltd.
Sumika Technical Information Service, Inc.	Niihama Coal Center Co., Ltd.
Sumika Green Co., Ltd.	Nihon Ecoagro Co., Ltd.
Sumika Chemtex Co., Ltd.	Nihon Oxirane Co., Ltd.
Sumika Technoservice Corporation.	KenoGard S.A.
Sumika Agrotech Co., Ltd.	Sumipex (Thailand) Co., Ltd.
Sumika Bayer Urethane Co., Ltd.	Sumitomo Chemical Australia Pty. Ltd.
Sumika Human Support Co., Ltd.	Sumitomo Chemical Italia S.r.l.
Sumika Real Estate Co., Ltd.	Bara Chemical Co., Ltd.
Sumika Plastech Co., Ltd.	Sumika Technology Co., Ltd.

\* Merged on April 1, 2014, and inaugurated as SC Environmental Science Co., Ltd.

### Worksite and Group Company Activities

#### Each worksite

##### Head Office in Tokyo

- Local cleanup activities (six times a year)

##### Head Office in Osaka

- Fairs to support disaster-affected areas (twice a year)

##### Ehime Works and Ohe Works

- On-site science workshop classes (four nearby school zones, science museum event)
- Works tours (15 times a year)
- Opening historical archives to the public (visited by 569 people)
- Donating educational equipment to elementary schools through proceeds from recycling of empty cans (twice a year)
- Neighborhood cleanup after Niihama Taiko Drum Festival (two venues)
- Cooperating in engineer development seminars
- Publication of PR magazine Kagaku (once a year, 44,000 copies distributed in neighboring areas)
- Traffic monitoring to improve children's safety and traffic manners (every morning on school days)

##### Chiba Works

- Ichihara-Sodegaura Young Inventors' Club (regular activities twice a month)
- Local cleanup activities (Anegasaki district once a month; Sodegaura district four times a year)
- Ongoing assistance to the Sumitomo Chemical Library (three schools)
- Supporting the Chiba Prefecture Youth Orchestra
- Conducting works tours and presentations (12 times a year)
- On-site science workshop classes (five elementary schools a year)

##### Osaka Works

- Work experience activities for junior high school and high school students (three times a year)
- Works tours (eight times)
- Publication of Kasugade newsletter (twice a year, 12,500 copies distributed in neighboring areas)
- Fairs to support disaster-affected areas
- Campaigns to improve manners when commuting to and from work (twice a year)

##### Oita Works

- Publication of Tsurusaki newsletter (twice a year, 6,500 copies distributed in neighboring areas)
- Providing on-site lessons for elementary and junior high schools (three elementary schools and one junior high school)
- Supporting the organization of the Tsurusaki Cup junior soccer competition (nine participating teams, 180 players and around 400 parents/guardians)
- Works tours (Oita Works 10 times a year, Okayama and Gifu works each once a year)
- Local cleanup activities (three times a year)

##### Misawa Works

- Works tours (506 people)
- A variety of science workshop classes
- Participating in Misawa Festival street dances (69 people)
- Planting flowers in front of works main gate (54 people)
- Continuing to hold Sumitomo Chemical Cup sports tournaments (four kinds of sports)

##### Tsukuba Material Development Laboratory

- Works tours for high-school students (three times a year)
- Cleanup activities in area around laboratory (three times a year)
- Volunteers supplying water during Tsukuba Marathon

##### Health & Crop Sciences Research Laboratory

- Work experience activities for junior high school students (Kasai Experimental Farm)
- Cooperating in Takatsukasa-jidokan (children's house) activities
- Research Laboratory tours for elementary school students (simulated experience of research activities)

##### Nagoya Branch

- Exhibiting at and participating in Messe Nagoya 2013
- Participating in Nagoya City's mass cleanup campaign 2013
- Offering Nagoya Dome season seats to four welfare organizations

##### Fukuoka Branch

- Participating in Love Earth Cleanup 2013 beach cleanup activities

#### Group companies

##### EGS Co., Ltd.

- Volunteer traffic monitoring outside Niihama district (four times a year)
- Collecting illegally dumped waste (co-sponsored with Toyo local station and Ehime Waste Disposal Association)

##### Oita General Service Co., Ltd.

- Participating in "Oita Citizens' Mass Cleanup"

##### Koei Chemical Co., Ltd.

- Science experiment workshop classes for elementary school pupils
- Sodegaura green space maintenance volunteers

##### Thermo Co., Ltd.

- Accepting interns (three high school students)
- Supporting employment of people with intellectual disabilities (four people)

##### SanTerra Co., Ltd.

- (simulated experience of research activities)

##### Ciatec, Ltd.

- Participating in 27th Niihama Citizens' Mass Cleanup activities
- Donating funds to assist reconstruction in Rikuzentakata, a city affected by the Great East Japan Earthquake

##### Shinto Paint Co., Ltd.

- Rice cake-making festival
- Cleanup activities around workplaces (three times a year)

##### Sumika Agro Manufacturing Co., Ltd.

- Cooperating with industrial sightseeing tours organized by Chamber of Commerce and Industry
- Exhibiting at "Monozukuri Museum" hosted by Chamber of Commerce and Industry

##### Sumika Assembly Techno Co., Ltd.

- Neighborhood cleanup after Niihama Taiko Drum Festival

##### Sumika-Kakoushi Co., Ltd.

- Blood donation cooperation activities (twice a year)
- Cleanup activities in areas around facilities (twice a year)

##### Sumika Styron Polycarbonate Limited

- Participating in the Osaka Marathon cleanup campaign
- Traffic safety monitoring

##### Sumika Agrotech Co., Ltd.

- Cleanup activities in areas around facilities

##### Sumika Plastech Co., Ltd.

- Toy park summer festival
- Toy park charity bazaar

##### Sumika Chemical Analysis Service, Ltd.

- Participating in "Technical College Women's Forum in Shikoku"
- Accepting interns from China (five people)

##### Sumika Logistics Co., Ltd.

- Cleanup activities in areas around works (Chiba Works, Anegasaki District)

##### Sumitomo Chemical Garden Products Inc.

- School flower bed and vegetable garden project

##### Sumitomo Joint Electric Power Co., Ltd.

- Cleanup activities at Ikku Shrine

##### Sumitomo Chemical Engineering Co., Ltd.

- Volunteer traffic standing monitoring (once every two months)

##### Sumitomo Seika Chemicals Co., Ltd.

- Environmental education on recycling given to elementary school pupils
- Workplace experience activities for junior high school students (Himeji City, Hyogo Prefecture)

##### Ceratec Co., Ltd.

- Accepting interns (two high school students and one student from a higher professional school)

##### Sumitomo Dainippon Pharma Co., Ltd.

- Workplace experience activities for junior high school students (Ofunato City, Iwate Prefecture)
- On-site lecture on genetic diagnosis (four junior high schools and two high schools)

##### Taoka Chemical Co., Ltd.

- Summer vacation workshop classes entitled "Shiny Straps" for elementary school students
- Gateball competition (in collaboration with local council)

##### Nippon A&L Inc.

- High school students touring the company
- Accepting interns

##### Nihon Medi-Physics Co., Ltd.

- Supporting charity calendar market
- Participating in waterfront cleanup activities in Sodegaura City

##### Rainbow Chemical Co., Ltd.

- Donating to Malaria No More Japan
- Collaborating in the Japan Home Garden Association's "Flowery Campaign"



## Overseas Social Contribution Activities

- 1 Hungary**
- University scholarship program

- 2 Belgium**
- Donating to Bikers with a Cause



## Support for Guide Dog Training (Belgium)

Sumitomo Chemical Europe S.A./N.V. has placed boxes for the collection of PET bottle caps in several places around the offices. Via a nonprofit organization, the collected caps are handed over to a recycling business operator, and the proceeds from their sale donated to the Belgian Centre for Guide Dogs, a facility that trains guide dogs.



- 3 Senegal**
- Supporting activities to construct elementary school buildings

- 4 Tanzania**
- Constructing elementary school buildings

- 6 Myanmar**
- Donating Olyset™ Nets
  - Supporting construction of health center

- 5 Thailand**
- Supporting tree-planting activities
  - Ecosystem conservation activities

- 7 Singapore**
- Supporting nursing care facilities
  - Supporting tree-planting activities

## Efforts to Preserve Ecosystems (Thailand)

In December 2013, with the help of a Royal Thai Navy guide, 63 volunteer employees from Sumika Polymer Compounds (Thailand) Co., Ltd. took part in an activity to release blue swimmer crabs, the declining numbers of which is becoming a serious problem. Carried out in keeping with the philosophy of aiming for the development of sustainable communities, this activity maintained the balance of the ecosystem and also gave the employees the opportunity to focus on the local community.



## Chemistry Experiment Workshop Classes (China)

In December 2013 and March 2014, Sumitomo Chemical (China) Co., Ltd. collaborated with the China Soong Ching Ling Foundation (CSCLF) to hold chemistry experiment workshop classes for a total of 140 Beijing elementary school pupils. In addition to enabling the children to experience for themselves the wonders of chemistry, the experiment workshop classes had the aim of raising interest in chemistry and conveyed the message that products help to improve people's lives and protect the environment. On the workshop days, three experiments were conducted, utilizing a polymer flocculant, a superabsorbent polymer, and a polarizer.

In the years to come, Sumitomo Chemical (China) will actively work to assist in the educational development of the next generation and collaborate with all the sites involved, for example by lending its support to Japan-China youth exchange programs conducted by CSCLF.



- 8 China**
- Supporting reconstruction in Ya'an, Sichuan province following the earthquake (contribution of donations, medicines provided free of charge, etc.)
  - Funding teachers at universities, etc., financially supporting students
  - Supporting elementary schools in poor regions
  - Supporting a Japanese speech contest for university students
  - Donating to orphanages



## Support for Typhoon-Damaged Areas in the Philippines (Singapore)

As a way of providing disaster relief support to the central Philippines, which was struck directly by Typhoon Haiyan in November 2013, 12 Group companies in Singapore, Malaysia, Thailand and Australia collectively asked for donations under the name of Sumitomo Chemical & Affiliates. Donations were made through the Red Cross in their respective countries.



## Bicycles Donated to Children in New York (United States)

In January 2014, at its offices in Manhattan, New York, Sumitomo Chemical America, Inc. presented the Boys and Girls Club of Harlem, a children's self-support facility in New York City, with seven bicycles. The bicycles had been assembled by 30 employees divided into teams of six as part of the annual all-employee training. The facility is a non-profit organization that supports youth development financially and spiritually. After the completion of the training, four children came to the office as representatives of the facility and received the bicycles. Standing in front of a completed bicycle, the employees had an excellent opportunity to see how they gave back to the community.



- 10 United States**
- Supporting donation activities for cancer patients
  - Donating food and other relief items during periods of emergency
  - Donating bicycles to youth facility
  - Sponsoring a malaria prevention course at the Harvard School of Public Health (HSPH)
  - Promoting energy saving by switching in-house lighting to LEDs
  - Installing in-house electric car recharging facilities
  - Donating Olyset™ Nets

- 11 Brazil**
- Supporting the lives of children from poorer backgrounds
  - Promoting Christmas events for children living in poverty



- 12 South Korea**
- Blood donation activities
  - Supporting a marathon competition for people with physical disabilities
  - Holding a charity bazaar



## Expressing Respect for the Local Community through Home Renovations (South Korea)

As one of the volunteer activities at Dongwoo Fine-Chem Co., Ltd., which has as its aim coexistence with the local community, employees visit homes and children's centers in the area once every six months to carry out a variety of activities, such as papering and cleaning rooms.



- 9 Taiwan**
- Holding a painting contest for children
  - Supporting a Japanese speech contest for university students
  - Interacting with children from welfare facilities and schools for the disabled
  - Providing university students with vocational training

## Volunteer Day (Taiwan)

Having designated the anniversary of the company's establishment as Volunteer Day, Sumika Technology Co., Ltd. conducts CSR activities on that day. In 2013, the volunteer activities were beach cleanups on the seashores of Tainan and Hsinchu, in which 111 people from the Tainan Works and 31 from the Hsinchu Works took part.



## Tree-Planting Project Spreading across the World

From the perspectives of preventing global warming and conserving biodiversity, the Sumitomo Chemical Group and the Sumitomo Chemical labor union joined forces with the Organization for Industrial, Spiritual Cultural Advancement (OISCA), a public interest incorporated foundation. Since fiscal 2008, a mangrove tree-planting project has been under way in Ranong Province, Thailand. Currently, the zone managed as the "Sumitomo Chemical Forest" extends over an area of 145 hectares. Participation from other overseas Group companies increased in the first phase in fiscal 2013, and a total of 25 volunteers were dispatched from Singapore, Taiwan, Thailand, and other countries. We will make further progress in our global integration efforts in the years to come.





## Fiscal 2013 Goals

- Further promote global HR initiatives and talent development
- Work on workforce management based on an optimal business structure
- Build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions
- Promote diversity and work-life balance

## Fiscal 2013 Results

- Undertook global recruitment, started operation of a global HR system (performance evaluation system) and implemented a career development system
- Secured necessary personnel for business operations, utilization of effective organizations, task formulation, human resources
- Reviewed post-mandatory retirement reemployment system
- Held a meeting of the Labor-Management Committee for Diversity and Work-Life Balance, managed in-house childcare facilities, surpassed the legal employment ratio of employees with disabilities, improved the ratio of female managers

## Evaluation

○

○

○

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## Fiscal 2014 Goals

- Further promote global HR initiatives and talent development
- Work on workforce management based on an optimal business structure
- Build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions
- Promote diversity and work-life balance

Goal achieved or steadily progressing: ○; Goal not achieved: △

## ● Basic Stance

Sumitomo Chemical is actively promoting talent development plans and a system of educational job rotations that focuses on the motivation and skills of each employee. The goals are to make the most of the abilities of diverse human resources and to create a workplace that is both motivating and stimulating. At the same time, the Company works to design and implement various human resource systems that are in line with changes in conditions.

In addition, Sumitomo Chemical is taking steps to further bolster its global human resource initiatives in order to strengthen its global management endeavors from a human resource perspective. The Company is also undertaking proper workforce planning and deployment based on its optimal business structure.

## ● Recruitment

To secure high-potential talents, we hire personnel not only from inside Japan but also from a range of other countries.

Since April 2012, when the work-location-designated employment category was abolished, we have been selecting new employees in line with the grade system that would be applied to them after joining the Company.

## ● Global Recruitment Initiatives

To further deepen its global management, Sumitomo Chemical has been expanding global recruitment since fiscal 2008 with the aim of securing the necessary human resources that will serve as the driving force of global management. In addition to 14 foreign national graduates who had studied in Japan as under- and postgraduates, 12 foreign nationals who graduated from overseas universities and graduate schools joined the Company in fiscal 2013; all 26 are excelling in different work locations.

## ● Internships

Sumitomo Chemical has accepted students at overseas (Chinese) universities and graduate schools on internships of around two months' duration every year since fiscal 2007. In fiscal 2013, Sumitomo Chemical accepted a total of 46

students: 13 from universities in the Dalian area; nine from universities in the Shanghai area; 15 from universities in the Beijing area; and nine from universities in the Chongqing area. To date, a cumulative total of 171 interns has been accepted.

On the their final day, all the interns give presentations before executive officers, covering the knowledge and skills acquired at Sumitomo Chemical, what they have learned from working for a Japanese company, and their future aspirations. They are then presented with a certificate, as proof of having completed an internship. The Company hopes that this initiative will deepen understanding of Japan and lead to the development of international exchanges.



Internship completion ceremony

## Basic Human Resource Data (Sumitomo Chemical (Non-Consolidated))★

Fiscal year		2011	2012	2013
Number of employees*	Male	5,382	5,409	5,310
	Female	807	856	871
Number of non-Japanese employees		87	123	132
Average length of service (years)*		14.1	13.5	13.4
Number of recruits	Male	362	346	216
	Female	76	71	64
Number of non-Japanese recruited		28	41	27

\* Scope of coverage: Full-time employees. As of each fiscal year-end

## ● Human Resources Development

Sumitomo Chemical has been implementing a range of training programs to help highly motivated employees fully exhibit their abilities.

In fiscal 2013, the Company provided employees of different job grades with necessary training and implemented measures according to their positions to meet the following important targets:

- (1) Planned development of human resources able to excel on the global stage
- (2) Support for the promotion of diversity
- (3) Support for passing on techniques and technology

## ● Career Development System (CDS)

Sumitomo Chemical carries out systematic educational rotations directed at non-managerial employees and some managers to ensure that individuals are placed in the positions for which they are most suited. Under the CDS, rotations are linked to the preferences submitted by employees and based on the development plans made by their managers to help employees plan and develop their ideal careers. Rotation plans were made and implemented for 767 employees and for 851 employees in fiscal 2012 and fiscal 2013, respectively.

In addition we provided employees on the CDS program with "career development training" to help them look back on their past jobs and get some tips for future career development.

Moreover, Sumitomo Chemical openly discloses training guidelines to all employees that clearly show the knowledge, skills, reference materials, and training necessary to carry out the duties in each job category, as a guide for when employees are themselves considering their own career development.

## ● Mentor and Trainer Systems

Sumitomo Chemical introduced a Trainer System in January 2008, under which highly skilled employees who have an aptitude for teaching are certified as trainers. These trainers provide instructions and advice to younger employees to facilitate their development and ensure the succession of skills from generation to generation. In April 2010, we also introduced a Mentor System to give supervisors and potential supervisors on-the-job training. We are using this system to enhance the development of core talent for manufacturing departments. As of April 1, 2014, a total of 85 trainers and ten mentors have been certified throughout the Company.

## ● Development of Global Talent

**(1) Training seminar on global business communication skills**  
A total of 81 younger employees who were expected to become global leaders attended a training seminar to develop and improve their business communication skills in English in fiscal 2013.

**(2) Training of local managers of overseas Group companies**

As a means to identify and develop global human resources in a systematic manner, we have been providing training for local managers at overseas Sumitomo Chemical Group companies since fiscal 2010. This training aims to help participants to better understand the Group's corporate philosophy and values and to become more aware of their roles as members of the Group. To date, training has been conducted a total of 20 times in Singapore, North America, Europe, China, and South Korea, with

the participation of 365 managers.

The second round of the training program has been held since fiscal 2012. The goals of these training programs are to promote a better understanding of the corporate values that are to be commonly shared by all Group employees, to provide the necessary skills and knowledge to secure global cooperation and overcome differences in culture and nationality, and to ensure greater awareness of the Group's global human resource systems. To date, this training has been held a total of 12 times in Singapore, North America, Europe, China, and South Korea, with the participation of 204 managers.



Training of local managers of overseas Group companies

## ● Human Resources System Initiatives

Sumitomo Chemical has introduced a job (role)-based personnel system that allows highly motivated and capable employees to engage in more challenging and responsible jobs, and that rewards those who have made significant efforts and contributions to the Company regardless of age, nationality, or gender.

## ● Evaluation System

Both managerial and non-managerial employees are evaluated not only for performance but also for competencies, processes and behavior. This system encourages employees not only to pursue short-term achievements, but also to contribute to the Company's medium- to long-term prosperity and to develop their behavioral mindset.

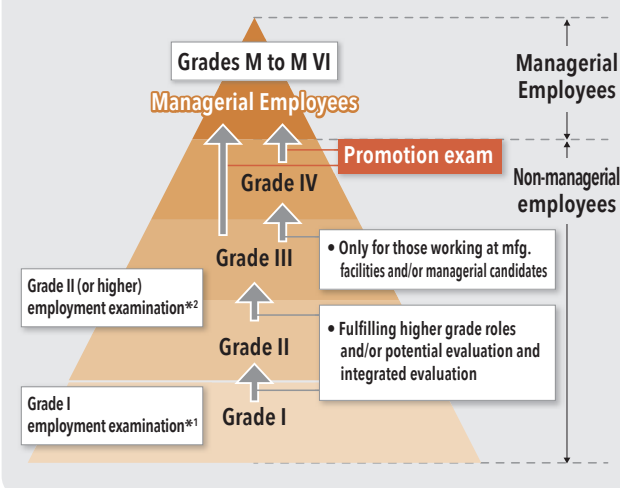
Managers talk with their subordinates on a regular basis to help employees increase their motivation and abilities with feedback on their performance, objectives, behavioral advantages, and areas for improvement. In the interviews, they also discuss workplace policies, job expectations, and career paths.



### • Compliance and CSR Evaluations

Compliance and CSR are included in the items evaluated for non-managerial employees with a view to raising their awareness of compliance and CSR. CSR evaluations focus on Responsible Care (safety, the environment and product quality).

### Roles and Grades Assigned under the HR System



\*1. Those to be assigned to Grade I roles as new employees will be selected. The period for the grade is one year. (However, the period may be shortened depending upon the past experience of each new employee.)

\*2. Those to be assigned to Grade II or higher roles as new employees will be selected. The period for the grade is one year. (However, the period may be shortened depending upon the past experience of each new employee.)

### • Global Position Holders (GPHs)

As the first step to implementing the global HR initiatives, we focused on managerial tiers at overseas Group companies, supporting our global business operations.

From 2005, Sumitomo Chemical began identifying global key positions within the Group and appointing them as Global Position Holders (GPHs). To date, the Company has held global manager meetings, applied the same performance evaluation and had the corporate philosophy and values shared by GPHs. When the program started, there were only 40 GPHs. As of March 2014, we have 85 GPHs (about 60% non-Japanese). Three of the non-Japanese GPHs are now Executive Officers of Sumitomo Chemical.

### • Global Job Grades

Sumitomo Chemical is also putting a great effort into the identification and development of next-generation leader candidates, in addition to the development of managers at its overseas Group companies.

In addition to applying its job grades to all employees in managerial positions or above at overseas Group companies, Sumitomo Chemical stored the job details and talent information of the people holding those positions in a global database, which is managed on an integrated basis, and began to introduce a uniform system of performance evaluation in April 2013. Going forward, the Company will identify human resources with high potential on the basis of this framework, secure and strengthen human resources with leadership qualities, and promote more sustainable and

global business development. These aims will be achieved by not only implementing a variety of education and training initiatives but also implementing a recurring cycle of job rotations across departments and countries.

### • Promoting Diversity and Work-Life Balance

Sumitomo Chemical is promoting diversity among employees, so that individual human resources can make the most of their abilities and work with motivation and a high sense of morale. To promote diversity, it is essential to provide all employees with motivating workplaces where they can fully demonstrate their skills and abilities in a variety of situations. First and foremost, however, the Company is focusing on the active advancement of women and promoting priority measures aimed at creating an environment in which as many women as possible can excel. Moreover, the Company is strengthening its work-life balance efforts to help employees make their private and business lives compatible and lead sound and fulfilling lives.

### • Promotion Structure

In order to work on diversity issues on a full scale, we formed the Diversity Promotion Team in April 2010 within the company. Based on the belief that measures for diversity and work-life balance need to be understood by all employees, in November 2010 we launched the Labor-Management Committee for Diversity and Work-Life Balance, composed of representatives of the labor union and the Company and several female employees. The committee had held a total of 14 meetings by fiscal 2013. This committee holds discussions on various themes, including how to help female employees display more of their abilities and how to improve work-life balance, to come up with specific measures. As a result of these activities, Sumitomo Chemical was ranked No. 47 out of 436 companies in the Nikkei "Companies That Get the Most from Their Employees" survey and No. 51 out of a total of 499 companies in the Nikkei WOMAN's poll of "Companies Where Women Excel."

### • Initiatives in Fiscal 2013

#### (1) Helping employees continue working

In order to help employees who are experiencing strenuous life events such as childcare and nursing care, we substantially revised our relevant support systems in April 2011. Specifically, we enacted the following initiatives: extended the childcare leave period and partially introduced paid holidays to the system, newly established a leave system to support male employees participating in childcare, relaxed limits on the frequency of applications for childcare/nursing care leave, and also relaxed application criteria for the maternity leave system. We have thus been improving the working environment to help employees continue working even during pregnancy, childbirth, and while taking care of their children or other family members. We also published a work-life-balance guidebook with easy-to-understand explanations about the procedures to be taken regarding pregnancy, childbirth, childcare and nursing care, and how to utilize these systems more effectively.

#### (2) Measures to improve work-life balance

Sumitomo Chemical is conducting activities to help employees work with high efficiency while enabling them to maintain harmony between work and life. Specifically, we are allocating paid holidays to employees in a systematic manner and ensuring that a "work-life balance day," on which employees are not allowed to work overtime, is designated at least once a week. We conduct initiatives to raise the awareness of the efforts to achieve the work-life balance goals that have been set in each workplace. These initiatives include designating May and November as "work-life balance promotion months," during which we display awareness-raising posters at each workplace. Furthermore, to check the work-life balance awareness level of employees and increase the effectiveness of related measures to enforce them, we collect data on work-life balance indicators from each workplace every six months, including total overtime work hours, the number of employees who worked longer hours, and the percentage of employees taking paid holidays.

### Results from Systems and Measures for Better Work-Life Balance (Sumitomo Chemical, (non-consolidated))\*

System/Measure		FY2011	FY2012	FY2013
Childcare/Nursing Support	No. of people on childcare leave	72	100	113
	No. of people on nursing care leave (unpaid)	4	2	3
	No. of people on nursing care leave (paid)	86	96	96
	No. of men on paternity leave (paid)	115	160	166
	No. of women on maternity leave (paid)	51	44	44
	No. of people on special reserve leave (paid)*3	20	39	48
	No. of people making use of reduced working hour system	64	81	83
	No. of people making use of reemployment system*4	16	14	9
	No. of people making use of in-house childcare facilities*5	101	112	121
Other	No. of people receiving grants for childcare (Mutual aid association)*6	142	140	149
	No. of employees on special leave granted to go abroad because of spouse's job transfer*7	2	6	7
	Employee survey*8	—	—	Conducted in August

\*3. Only for childcare and nursing care \*4. Number registered as of the end of each fiscal year  
\*5. Number of users on April 1 each fiscal year \*6. Corresponding number of people at end of each fiscal year \*7. Number of applicants as of the end of each fiscal year \*8. Conducted once every three years

\*Assured by an independent assurance provider



### Views on Having Taken Childcare Leave

**Kanta Terasawa**  
Optical Materials Division  
Global Marketing Division and Operations Department  
(On temporary transfer to Dongwoo Fine-Chem Co., Ltd. effective July 1, 2014)

I took about a month's combined childcare and paternity leave. During that month, my love for my child grew and the bonds of our family strengthened as my wife and I worked together for the first time on all things related to childbirth and childcare. After our baby was born, I was responsible for doing all the housework while my wife and child rested at home and avoided going outside. I was exactly what you would call a house husband, taking care to create nutritionally balanced meals and doing other chores. Temporarily away from my company work, I found that performing the work necessary for daily life, such as housework, also provided me with a good opportunity to review my own everyday lifestyle and health management. Before taking the time off, I had been worried about my duties, but my superiors and workplace colleagues were understanding about me taking time off for childcare. I am grateful for the support I received from those around me, for having had no problems in getting the time off, and for having been able to spend some quality time with my family.

### • Initiatives Taken by the In-House Childcare Facilities

Sumitomo Chemical has been actively establishing in-house childcare facilities as part of measures to support employees raising children. Having up to now opened facilities in the areas of Ehime, Osaka, Chiba, Tokyo and the city of Takarazuka in Hyogo Prefecture, the Company is advancing construction work to open its sixth childcare facility at the Oita Works in Oita Prefecture in October 2014.

At all our in-house childcare facilities, pre-school aged children, including infants in their first year (of mothers who have returned to work), are taken care of until 8:00 p.m. in response to the needs of their parents. Some facilities also accept children of local residents to help resolve the serious social problem concerning the long waiting lists for nursery schools. As of April 1, 2014, a total of 126 children were being taken care of at our in-house childcare facilities.



Next-generation Kurumin certification mark



Children's works were put on display in the staff cafeteria at Sumitomo Chemical's Tokyo Head Office



### • Volunteer Leave System

To provide support for employees' social action, we have instituted a volunteer leave system that enables employees to take paid volunteer leave up to two consecutive working days per year. Since launching this system in April 2008, 87 employees have made use of it (for a total of 209 days) as of March 31, 2014.

### • Diversified Employment

Sumitomo Chemical looks for and recruits talented people, regardless of age, gender, or nationality in a wide range of areas while endeavoring to put in place motivating workplaces where a diverse range of human resources can excel.

### (1) Making full use of female and non-Japanese employees

In order to promote the success of female employees, Sumitomo Chemical sets quantitative targets regarding the ratio of female managers as well as systematically promotes female employees to management positions. We have also released our female manager percentage targets on the Japanese government's Gender Equality Bureau Cabinet Office website. These targets represent a major challenge for the Company as women account for approximately 13.6% of the total workforce as of March 31, 2014.

Going forward, we will sequentially execute various action

### Female Manager Ratio Quantitative Targets

Sumitomo Chemical has set the quantitative targets of at least a 10% ratio of women in positions equivalent to manager (job grade: M1) or above and a 15% ratio of women in positions equivalent to assistant manager (job grade: M) or above by 2020. As of March 31, 2014, the former ratio is 3.7% and the latter ratio is 11.6%.

### Networking Events with Non-Japanese Employees

As of April 2014, 148 non-Japanese employees work for Sumitomo Chemical in Japan. Living away from their home countries, non-Japanese employees residing in Japan have many concerns that cannot be solved only through the support of Japanese people. To help alleviate this situation, we held a networking event for them all in March 2014 at the Sumitomo Chemical Tokyo Head Office. This event was a good opportunity for them to receive a variety of advice about their concerns and build relationships with each other.



Networking event for non-Japanese employees

plans to meet these targets. As one of these measures, we initiated a mentor program on a trial basis in fiscal 2013. During this trial program, female managers and indirect superiors (executives) conducted regular interviews and provided career-development advice. With the objective of increasing motivation and broadening perspectives among female employees, we will continue to implement initiatives targeting an even greater number of women.

### Year-on-year Change in the Number of Female Managers (Sumitomo Chemical (non-consolidated))★

Fiscal year	2011	2012	2013
Number of female managers	161	174	191
Percentage of female managers (%)	5.3	5.8	6.4

(Number and percentage of employees holding positions equivalent to sectional manager or above and assistant manager; as of April 1 of each fiscal year)

### (2) Employment of People with Disabilities

Sumitomo Chemical is undertaking initiatives to encourage the employment of people with disabilities to a greater extent than before by taking steps to create workplaces that allow employees with disabilities to make the most of their abilities, which includes upgrading work environments and developing new occupations for such individuals. In fiscal 2013, the employment rate of people with disabilities at Sumitomo Chemical totaled 2.12%. The statutory employment rate amended in April 2013 is 2% or above. In April 2013, we began making and selling bread at the Sumitomo Chemical Tokyo Head Office employee cafeteria with the aim of creating new positions for people with disabilities. Three disabled employees between 8:00 a.m. and 6:30 p.m. prepare sandwiches from freshly baked bread and provide freshly brewed coffee. These items are enjoyed by many employees during breakfast before work starts, lunchtime, and at meetings.

The types of bread for sale are conceived of by the employees themselves, who normally prepare around 10 different varieties. The new items offered each month are a big hit with the staff. The creativity displayed by these employees has increased the motivation of the cafeteria staff.

### Employment Rate for People with Disabilities (Sumitomo Chemical (non-consolidated))★

Fiscal year	2011	2012	2013
Employment rate (%)	1.87	1.93	2.12

(Average for each fiscal year)

### (3) Reemployment of Retirees

Since fiscal 2006, Sumitomo Chemical has been implementing a system to reemploy retirees to provide them with opportunities to demonstrate the skills and expertise they have gained during their long tenure at the Company. Following amendments to the Law Concerning the Stabilization of Employment of Older Persons in April 2013, we abolished reemployment criteria, thereby enabling all employees up to 65 years old who wish to be reemployed to continue working for the Company. In line with these actions, we reviewed the reemployment system, including the payment of retirement bonuses to reemployed individuals over the retirement age. In fiscal 2013, 138 (90.2%) of 153 retirees (of Sumitomo Chemical) were reemployed by the Company or its Group companies. Moreover, to help employees make plans for their postretirement lives, the Company conducts seminars on life design for all employees reaching the age of 50. Furthermore, arrangements are made for employees to regularly talk with their managers on their post-retirement lives.

### Rehired Retirees (Sumitomo Chemical (non-consolidated))★

Fiscal year	2011	2012	2013
Retirees	139	154	153
The reemployed	93	102	138
Reemployment rate (%)	66.9	66.2	90.2

### • Communication with Employees

Sumitomo Chemical has been partnering with its labor union in addressing various challenges in management based on long-standing mutual understanding and trust.

### • Labor-Management Initiatives

At Sumitomo Chemical, central labor-management meetings and regional labor-management meetings are held semi-annually for the parties to exchange opinions. The Company and its labor union also hold meetings to discuss and formulate various programs for non-managerial employees to help increase their morale and motivation at work, including by regularly holding labor-management review meetings, which were held three times in fiscal 2013.

The Labor-Management Committee for Diversity and Work-Life Balance was established in fiscal 2010 and convened four times in fiscal 2013. Every effort is being made to promote a uniform understanding of future challenges and measures.

Moreover, the Company and its labor union are cooperating in supporting the anti-global warming measures and social contribution activities led by employees.

### • Social Contribution Activities Promoted through Labor-Management Cooperation

### (1) Reducing CO<sub>2</sub> emissions in the household (Environmental Accounting Book)

Since fiscal 2008, Sumitomo Chemical has been working in cooperation with labor and management to reduce household CO<sub>2</sub> emissions using environmental accounting books. In recognition of this effort, in fiscal 2013 the Company received its fifth consecutive prize for energy conservation activities in the consumer sector from the Japan Chemical Industry Association.

### (2) Matching Gift program

In fiscal 2007, Sumitomo Chemical started its Matching Gift program jointly with its labor union. In this program, donations are made by employees and executives of Sumitomo Chemical Group companies, and Sumitomo Chemical matches the amount collected. The total is then donated to the organizations selected as recipients.

In fiscal 2013, we donated to ASHINAGA,\*<sup>1</sup> an NPO, as part of our support for childcare and education. We also made a donation to the Organization for Industrial, Spiritual and Cultural Advancement International (OISCA)\*<sup>2</sup> to support its tree-planting activities as part of our support for global environmental protection and the prevention of global warming. Donations totaling 8,340,044 yen and 6,890,118 yen were made to ASHINAGA and OISCA, respectively, and the Company also donated the matched amounts to the organizations in April 2014.

\*1. ASHINAGA is a NPO established to provide physical and mental support for children who have lost their parents because of illness, accidents, or for other reasons. The money donated to this organization is used to provide a scholarship fund for these orphans.

\*2. OISCA is a global NGO engaged in rural development and environmental protection mainly in the Asia-Pacific region. The money donated by Sumitomo Chemical to this organization is used for its Children's Forest Program and mangrove planting project in Ranong, Thailand.

### (3) Mangrove planting project in Thailand ("Sumitomo Chemical Forest")

Sumitomo Chemical and its Group companies have been conducting a mangrove planting project in cooperation with OISCA in Ranong Province, Thailand, using part of the money donated to the NGO through the Matching Gift program, starting in fiscal 2008. At the activity site, called "Sumitomo Chemical Forest," local people play a central role, planting trees and managing related activities. Since fiscal 2008, Sumitomo Chemical has been dispatching employee volunteers to the site. In fiscal 2013, a total of 25 volunteer employees interacted with the local inhabitants by planting mangrove trees together and visiting elementary schools. At present, Sumitomo Chemical Forest extends over 145 hectares and contains about 430,000 mangrove trees (as of March 31, 2014). The Sumitomo Chemical Group will continue to support tree planting activities as a means to conserve biodiversity and prevent global warming.



Environmental Accounting Book Award



### ● Children's Visiting Day

As a part of efforts to promote employee work-life balance, Sumitomo Chemical holds children's visiting days. Under this initiative, the children of employees are invited to tour each of the Company's workplaces. In addition to visiting their parents' workplace, the children are provided with an overview of the Company and participate in science experiments using Sumitomo Chemical products. This initiative is seen as an opportunity to provide the families of employees with a better understanding of their parents' workplace. Looking ahead, plans are in place to continue these tours at each workplace.



Children's Visiting Day

### ● Managing Physical and Mental Health

Sumitomo Chemical is implementing a range of measures to help employees maintain and promote their physical and mental health with the assistance of the chief occupational health physician of the Company.

#### ● Mental Health

Employees are able to receive counseling from the Company's medical staff, including occupational physicians. Seminars on caring for mental health are held for new employees and newly promoted employees, and stratified training seminars on mental health are also organized for sectional managers and team leaders. In addition, in order to help employees who have been absent from work for extended periods due to mental health problems return to work, we introduced a rehabilitation work system in April 2009. Under this system, an onsite occupational health physician, an HR staff member, and the employee's manager cooperate in helping the employee start working again by determining the working days, hours, and other details for the employee.

#### ● Physical Health

Since April 2008, the health insurance association of companies has been required by law to have all employees and their dependents aged 40 or older undergo health checkups and receive guidance for lifestyle disease. Sumitomo Chemical works with its health insurance association to ensure that all employees and their dependents undergo the health checkups, regardless of

age, and employees and their dependents aged 35 or older receive guidance for lifestyle disease, thereby helping employees with early diagnosis and the prevention of lifestyle diseases. In addition, the Company dispatches its chief occupational health physician to provide medical counseling and evaluate medical service environments to support employees working overseas and their accompanied families.

### ● Protection of Human Rights

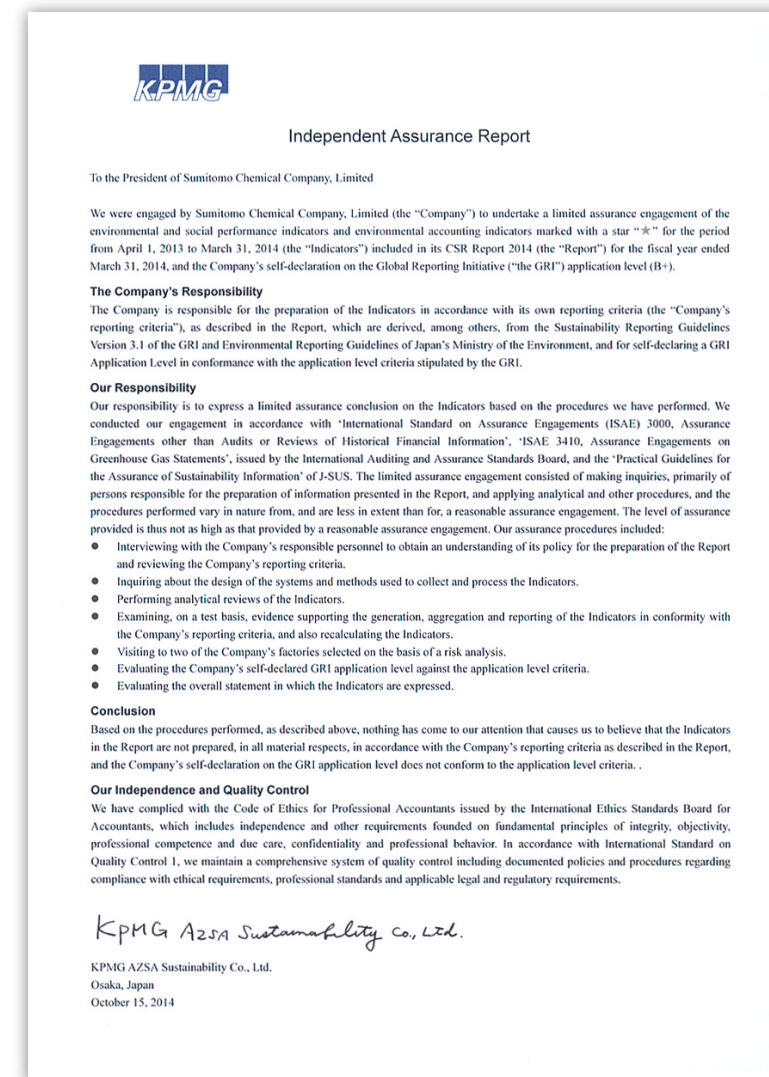
To educate employees on human rights issues and responsible behavior, Sumitomo Chemical holds a committee on human rights every year, formulates annual policies on human rights, and implements measures to protect human rights.

Moreover, with a view to providing employees with workplaces where they can display their abilities with ease of mind, we are addressing the issues of sexual and power harassment, in addition to discrimination, mainly by holding enlightenment seminars. In fiscal 2013, we held a total of 131 seminars, lectures, and film shows as a part of the in-house training curriculum, in which a total of 3,852 employees participated. In addition, to ensure employee awareness of the importance of respecting human rights, this subject was included in the Compliance Manual, which was distributed to all employees. Just as in previous years, in fiscal 2013, there was no instance of discrimination reported.

### ● Current Issues and Future Plans

Based on its basic stance, Sumitomo Chemical will continue to promote global HR initiatives, pursue educational rotations that help to motivate employees and allow them to fully demonstrate their abilities, engage in proper workforce management based on an optimal business structure, and build HR systems that respond to revisions to relevant laws and regulations as well as changes in conditions. Through these means, the Company will work to address various HR issues.

## Independent Assurance Report by KPMG AZSA Sustainability Co., Ltd.



Sumitomo Chemical has received assurance from KPMG AZSA Sustainability for 14 consecutive years, dating back to the publication of the Environment, Health & Safety Report, which is the precursor to its current CSR Report. More than a decade of engagement as an assurance provider offers us the observation of steady developments and improvements made by Sumitomo Chemical not only in the contents of information disclosed in its CSR report but also in some aspects of its management approach that remains behind the scenes.

For example, in 2013, Sumitomo Chemical incorporated our previous year's comment into practice by subdividing one of its long-term company targets into yearly and divisional figures so that it can control the progress of the initiative more effectively. In so doing, Sumitomo Chemical took the items we discovered during the course of our assurance procedures as an opportunity to reflect them into management improvement initiatives. Every time we see this kind of improvement-oriented, forward-looking management approach by Sumitomo Chemical, we are motivated further.

At the same time, although it has been said over the past years, the scopes of most indicators disclosed in the CSR Report remained as they were, covering only Sumitomo Chemical (non-consolidated) and its domestic Group companies. We look forward to initiatives undertaken by management to collect data from overseas Group companies to properly include them within the scope for disclosure.



**Atsuhiko Ueda**

KPMG AZSA Sustainability Co., Ltd.



GRI Sustainability Reporting Guidelines (G3.1 Guidelines) Reference Table

Category	Description	Report Page
1. Strategy and Analysis		
1. 1	Statement from the most senior decision maker of the Organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	p5-6
1. 2	Description of key impacts, risks, and opportunities	p5-6,9-10, 15-20
2. Organizational Profile		
2. 1	Name of the Organization	p4
2. 2	Primary brands, products, and / or services	p2,15-20
2. 3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	p2-4
2. 4	Location of Organization's headquarters	p4
2. 5	Number of countries where the Organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	p3-4
2. 6	Nature of ownership and legal form	p4
2. 7	Markets served (including geographic break down, sectors served, and types of customers / beneficiaries)	p3-4
2. 8	Scale of the reporting Organization, including: - Number of employees;- Number of operations;- Net sales or net revenues; - Total capitalization broken down in terms of debt and equity; and - Quantity of products or services provided	p3-4,45
2. 9	Significant changes during the reporting period regarding size, structure, or ownership including: - The location of, or change in operations, including facility openings, closings, and expansions; and - Changes in the share capital structure and other capital formation, maintenance, and alteration operations	p3-4
2. 10	Awards received in the reporting period	p48,50,70
3. Report Parameters		
Report Profile		
3. 1	Reporting period (e.g., fiscal / calendar year) for information provided	p76
3. 2	Date of most recent previous report (if any)	p76
3. 3	Reporting cycle (annual, biennial, etc.)	p76
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Report Scope and Boundary		
3. 5	Process or defining report content, including: - Determining materiality;- Prioritizing topics within the report; and - Identifying stakeholders the Organization expects to use the report	p22,76
3. 6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	p76
3. 7	State any specific limitations on the scope or boundary of the report.	p45-46,76
3. 8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	p76
3. 9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	p23,43-54, 69-70
3. 10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years /periods, nature of business, measurement methods)	NA
3. 11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	NA
GRI Content Index		
3. 12	Table identifying the location of the Standard Disclosures in the report	p73-74
Assurance		
3. 13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	p46,72,76
4. Governance, Commitments, and Engagement		
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4. 1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	p24
4. 2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement).	p24
4. 3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or nonexecutive members.	NA
4. 4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	p24,67-68
4. 5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	p24
4. 6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	p24
4. 7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	p24
4. 8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	p7-8,21,27-28

Category	Description	Report Page
4. 9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	p23-26,28
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4. 12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	p23
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4. 14	List of stakeholder groups engaged by the organization	p22
4. 15	Basis for identification and selection of stakeholders with whom to engage	p22
4. 16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	p22,55-56, 60,68
4. 17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	p22,55-56, 60,68
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EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	p46
EC3.	Coverage of the organization's defined benefit plan obligations	-
EC4.	Significant financial assistance received from government	-
Aspect: Market Presence		
EC5.	Range of ratios of standard entry level wage by gender compared to minimum wage at significant locations of operation	-
EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	-
EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	-
Aspect: Indirect Economic Impacts		
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	p57-64
EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts	p57-60
Environmental		
Management Approach		
Aspect: Materials		
EN1.	Materials used by weight or volume	p45
EN2.	Percentage of materials used that are recycled input materials	NA for major materials
Aspect: Energy		
EN3.	Direct energy consumption by primary energy source	p45
EN4.	Indirect energy consumption by primary source	p45
EN5.	Energy saved due to conservation and efficiency improvements	p47-49
EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	p15-16
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved	-
Aspect: Water		
EN8.	Total water withdrawal by source	p45,52
EN9.	Water sources significantly affected by withdrawal of water	-
EN10.	Percentage and total volume of water recycled and reused	-
Aspect: Biodiversity		
EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NA
EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NA
EN13.	Habitats protected or restored	-
EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity	p49,54
EN15.	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-
Aspect: Emissions, Effluents, and Waste		

Category	Description	Report Page
EN16.	Total direct and indirect greenhouse gas emissions by weight	p45,47-48
EN17.	Other relevant indirect greenhouse gas emissions by weight	p43-44,49
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	p47-49
EN19.	Emissions of ozone-depleting substances by weight	p45,51
EN20.	NOx, SOx, and other significant air emissions by type and weight	p45,51
EN21.	Total water discharge by quality and destination	p45
EN22.	Total weight of waste by type and disposal method	p45,50
EN23.	Total number and volume of significant spills	NA
EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-
EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	-
Aspect: Products and Services		
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	p15-20
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category	NA (Major products are supplied for manufacturers.)
Aspect: Compliance		
EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	We received no fines or sanctions for noncompliance with environmental laws and regulations.
Aspect: Transport		
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	p49
Aspect: Overall		
EN30.	Total environmental protection expenditures and investments by type	p46
Labor Practices and Decent Work		
Management Approach		
Aspect: Employment		
LA1.	Total workforce by employment type, employment contract, and region, broken down by gender	-
LA2.	Total number and rate of new employee hires and employee turnover by age group, gender, and region	-
LA3.	Benefits provided to full- time employees that are not provided to temporary or part-time employees, by significant locations of operation	-
LA15.	Return to work and retention rates after parental leave, by gender	-
Aspect: Labor /Management Relations		
LA4.	Percentage of employees covered by collective bargaining agreements	-
LA5.	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	-
Aspect: Occupational Health and Safety		
LA6.	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	-
LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region and by gender	p34-38
LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	p71
LA9.	Health and safety topics covered in formal agreements with trade unions	-
Aspect: Training and Education		
LA10.	Average hours of training per year per employee by gender, and by employee category	-
LA11.	Programs for skill management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p66-67, 69-71
LA12.	Percentage of employees receiving regular performance and career development reviews, by gender	-
Aspect: Diversity and Equal Opportunity		
LA13.	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p65,69-70
LA14.	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-
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Management Approach		
Aspect: Investment and Procurement Practices		
HR1.	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	-
HR2.	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	p56
HR3.	Total hours of employees training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	p71
Aspect: Non-Discrimination		
HR4.	Total number of incidents of discrimination and corrective actions taken	p71
Aspect: Freedom of Association and Corrective Bargaining		

Category	Description	Report Page
HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	We did not engage in such operations. See page 56 for suppliers.
Aspect: Child Labor		
HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	We did not engage in such operations. See page 56 for suppliers.
Aspect: Forced and Compulsory Labor		
HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	We did not engage in such operations. See page 56 for suppliers.
Aspect: Security Practices		
HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	-
Aspect: Indigenous Rights		
HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken	-
HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	There were no incidents that required such action.
HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	p71
Society		
Management Approach		
Aspect: Local Communities		
SO1.	Percentage of operations with implemented local community engagement, impact assessments, and development programs	-
SO9.	Operations with significant potential or actual negative impacts on local communities	We did not engage in such operations.
SO10.	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	We did not engage in such operations.
Aspect: Corruption		
SO2.	Percentage and total number of business units analyzed for risks related to corruption	-
SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures	p26
SO4.	Actions taken in response to incidents of corruption	-
Aspect: Public Policy		
SO5.	Public policy positions and participation in public policy development and lobbying	p23
SO6.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	-
Aspect: Anti-Competitive Behavior		
SO7.	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	-
Aspect: Compliance		
SO8.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	-
Product Responsibility		
Management Approach		
Aspect: Customer Health and Safety		
PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p39-42
PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	p41-42
Aspect: Product and Service Labeling		
PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	p39-42
PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-
PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	p55
Aspect: Marketing Communications		
PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	-
PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	-
Aspect: Customer Privacy		
PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-
Aspect: Compliance		
PR9.	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	-



## Third-Party Opinion



**Itaru Yasui**

Former Vice Rector, United Nations University  
Professor Emeritus, The University of Tokyo

After reading Sumitomo Chemical's CSR Report very carefully, I came away with the impression that the Company is engaged in a diverse array of CSR activities. It is very difficult to find any items that Sumitomo Chemical has overlooked. Overlapping information on the Global Compact is perhaps unnecessary, but when it comes right down to it, this is probably part of the Company's efforts to comply with ISO 26000 standards.

What do managers and regular employees think about these diverse CSR activities? I think the answer to this question can be found in the Employee Round-Table Talk as well as the heading of the Message from the Chairman and President: "Contributing to the Sustainable Development of Society through Our Business." The statements listed in these sections reveal a shared understanding of the Company's CSR.

What is particularly noteworthy is that Sumitomo Chemical's Responsible Care activities, the foundation of its CSR, have been raised to a level of comprehensiveness that far exceeds the norm. This is something that the Company should be very proud of and serves as an example for other firms to emulate.

Currently, Sumitomo Chemical is implementing almost every aspect of CSR conceivable. The morale of the employees charged with carrying out these activities is very high. That said, I wonder if it is even possible for the Company to take its already extremely comprehensive CSR to an even higher level. While achieving a higher level of CSR could in fact prove quite difficult, this will depend on the ingenuity and creativity of the Company.

I think Sumitomo Chemical possesses an unparalleled advantage that is nearly impossible for other companies to attain. This advantage is its corporate philosophy. Maintaining a business philosophy underpinned by 400 years of history is something not easily achieved. The fundamental concepts found in this philosophy—particularly "harmony between the individual, the nation and society"—are, objectively speaking, incredibly lofty for a corporate ethos.

Specifically, I think readers of Sumitomo Chemical's CSR Report will be strongly impressed by the Company's ingenuity as well as its strategic attempts to sharpen the

focus of employee awareness of CSR through its activities. In this regard, one key phrase perhaps worth noting is the structured nature and transparency of the Company's CSR activities. Yet, there are many different ways to structure these activities. Therefore, I would like the Company to be aware of one possible approach illustrated below.

Regarding the tone of the Message from the Chairman and President, I would like to see the report of the past year's results toned down, more details on its historical and ideal CSR in order to clarify the concept that Sumitomo Chemical's corporate philosophy is synonymous with its lofty corporate ideals, which play a behind-the-scenes role in its CSR. Clarifying this concept will serve as a foundation for the entire report. In addition, I would like to see the information listed in the CSR Report separated into achievements based on following four categories: (1) global contributions by providing products and materials through its businesses; (2) appropriate responses to unavoidable environmental burdens caused by its business activities—Responsible Care; (3) the Company's fulfillment of its responsibilities to people and society through its businesses promoted in such initiatives as the Global Compact; and (4) its philanthropic and humanitarian contributions. The addition of a wide array of information within these categories would flesh out the report.

I would like to see the Company clarify how its corporate philosophy and lofty corporate ideals act as a foundation for and directly influence these four categories of CSR activities. In addition, I think the Company should structure the report in a more logical manner by asking readers if the Message from the Chairman and President about the well-balanced execution of these four categories of CSR activities is valid and if the ultimate target of "being a business that can be proud of itself" has been reached.

## Editorial Policy

We have created this report to help our stakeholders improve their understanding of Sumitomo Chemical's approach to Corporate Social Responsibility (CSR), including measures taken by the Company to fulfill such responsibilities.

In preparing the report, we referred to the Global Reporting Initiative's (GRI) "Sustainability Reporting Guidelines" (Version 3.1), the Japanese Ministry of the Environment's "Environmental Reporting Guidelines" (2012 edition) and "Environmental Accounting Guidelines" (2005 edition), and the ISO 26000 international standard on Social Responsibility (SR). In reference to these materials and internal discussions, we have included information deemed important for both society and Sumitomo Chemical in this report. Moreover, this report is aligned with the GRI guidelines at an application level of B+. (Please refer to the GRI Sustainability Reporting Guidelines (G3.1 Guidelines) Reference Table on pages 73 to 74.)

In particular, we have provided details on the Company and its approach to CSR in the "Sumitomo Chemical's Operations and CSR" section found on pages 7 to 20. Details are presented in the context of the Sumitomo Spirit the Company established at the time of its foundation, focusing on contributions to society through business operations and specific measures drawing on comments from employees that help bring these principles to fruition.

Regarding quantitative information, assurance is provided on the indicators labeled with a star mark (★) by KPMG AZSA Sustainability Co., Ltd. We have also obtained a third-party opinion from Itaru Yasui, former Vice Rector of United Nations University and Professor Emeritus of the University of Tokyo.

For detailed numerical data, we have prepared a separate booklet titled "CSR REPORT 2014 DATA BOOK (online version only)" for easy reference.

### • Period covered by this report:

April 1, 2013 – March 31, 2014 (FY2013)  
(with specific exceptions outside this time frame)

### • Date of publication:

October 2014  
(The previous issue was published in October 2013. Next issue: Scheduled for publication in October 2015)

### • Frequency of publication:

Once annually

## The Sumitomo Chemical Group's CSR Information

### • Publications



**CSR HIGHLIGHTS**  
A report that contains information that the Company especially wishes to convey presented in an easy-to-read and concise manner.



**CSR REPORT**  
This publication provides an in-depth explanation on Sumitomo Chemical's approach to CSR while reporting on the Company's CSR activities in a more detailed manner.

### • Website

Our CSR REPORT 2014 and CSR HIGHLIGHTS 2014 are also available on our CSR website at

<http://www.sumitomo-chem.co.jp/english/csr/>

## Report Profile

### • Boundary of This Report

#### • Sumitomo Chemical Company, Limited and its consolidated subsidiaries

In this report, "Sumitomo Chemical" and "Sumitomo Chemical Group" are distinguished as follows.

Sumitomo Chemical: Sumitomo Chemical Co., Ltd.

Sumitomo Chemical Group: Sumitomo Chemical and Group companies

(However, when "Group companies" are referred to, this does not include Sumitomo Chemical.)

#### • Environmental performance (excluding environmental accounting and environmental efficiency)

The environmental performance data included in this report cover Sumitomo Chemical Group companies that have production divisions as well as sales above a minimum level, or whose environmental impact is deemed significant. Specifically, Sumitomo Chemical (non-consolidated) and 16 Group companies in Japan for a total of 17 companies. (Please refer to page 45 of the report for the names of each company.) However, the scope of the Sumitomo Chemical (non-consolidated), Group companies in Japan, and overseas Group companies in the tables and charts, targets, results, and graphs on pages 47 to 54 is as follows.

**Non-consolidated:** Sumitomo Chemical non-consolidated manufacturing facilities

**Group companies in Japan:** Sumitomo Chemical non-consolidated manufacturing facilities and the production plants of 15 Group companies in Japan (Sumitomo Dainippon Pharma Co., Ltd.; Koei Chemical Co., Ltd.; Taoka Chemical Co., Ltd.; Sumika Color Co., Ltd.; Nihon Medi-Physics Co., Ltd.; Nippon A&L Inc.; Thermo Co., Ltd.; SanTerra Co., Ltd.; Sumika-Kakoushi Co., Ltd.; Asahi Chemical Co., Ltd.; Shinto Paint Co., Ltd.; Sumika Styron Polycarbonate Limited; Sumika Bayer Urethane Co., Ltd.; Nihon Oxirane Co., Ltd.; and Sumika Agrotech Co., Ltd.)

**Overseas Group companies:** Production plants of 10 overseas Group Companies (Sumitomo Chemical Singapore Pte Ltd.; The Polyolefin Company (Singapore) Pte. Ltd.; Sumipex (Thailand) Co., Ltd.; Bara Chemical Co., Ltd.; Dalian Sumika Chemphy Chemical Co., Ltd.; Sumika Electronic Materials (Wuxi) Co., Ltd.; Sumipex TechSheet Co., Ltd.; Sumika Technology Co., Ltd.; SC Enviro Agro India Private Ltd.; Dongwoo Fine-Chem Co., Ltd.)

For details regarding calculation standards not described in this report, please refer to the following website:  
<http://www.sumitomo-chem.co.jp/english/csr/report/>





A SRI Index in which Sumitomo Chemical is included.



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